

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
and
OMB CIRCULAR A-133, SINGLE AUDIT REPORTS
YEAR ENDED JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 363
Holcomb, Kansas

We have audited the accompanying financial statements of Unified School District No. 363, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, Unified School District No. 363, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 363 as of June 30, 2012, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of Unified School District No. 363, as of June 30, 2012, and their respective cash receipts and expenditures, and budgetary results for the year then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2013, on our consideration of the Unified School District No. 363'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 statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kennedy McKee & Company LLP

January 2, 2013

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

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

Year ended June 30, 2012

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Prior year canceled encumbrances</u>
Governmental funds:		
General funds:		
General	\$ 1	\$ -
Supplemental general	145,287	-
Special revenue funds:		
Bilingual education	9,000	-
Capital outlay	1,099,076	-
Driver training	25,401	-
Food service	133,207	-
Professional development	66,391	-
Special education	701,833	-
Vocational education	99,242	-
At-risk (4 yr old)	8,498	-
At-risk (K-12)	30,000	-
KPERs special retirement contribution	-	-
Recreation commission	-	-
Recreation commission employee benefits	2,857	-
Title II-A	-	-
Gift	2,215	-
Title I	-	-
Holowach estate	631,462	-
Health council	12,134	-
Contingency reserve	645,397	-
Textbook	152,740	-
Title III ESL	-	-
District activity funds	8,919	-
Debt service fund:		
Bond and interest	1,165,380	-
Total primary government (excluding agency funds)	4,939,040	-
Component unit:		
Holcomb Recreation Commission:		
General	1,087,813	-
Employee benefits and special liability	225,236	-
Total component unit	1,313,049	-
Total reporting entity (excluding agency funds)	\$ 6,252,089	\$ -

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

<u>Cash receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
\$ 6,269,129	\$ 6,269,130	\$ -	\$ 372,091	\$ 372,091
2,237,487	2,150,000	232,774	71,044	303,818
215,500	172,100	52,400	10,595	62,995
839,020	414,624	1,523,472	256,547	1,780,019
13,218	13,367	25,252	6,074	31,326
577,058	565,678	144,587	14,577	159,164
30,000	41,102	55,289	17,249	72,538
690,000	689,702	702,131	-	702,131
120,989	127,989	92,242	10,071	102,313
60,500	58,498	10,500	5,083	15,583
1,052,000	827,820	254,180	10,160	264,340
588,936	588,936	-	-	-
576,216	570,000	6,216	-	6,216
75,048	77,000	905	-	905
26,094	26,094	-	-	-
5,246	478	6,983	-	6,983
153,243	153,243	-	26,707	26,707
616	7,500	624,578	-	624,578
-	1,768	10,366	595	10,961
-	-	645,397	-	645,397
145,452	128,932	169,260	24,585	193,845
17,706	17,706	-	6,784	6,784
123,917	100,666	32,170	-	32,170
<u>1,179,217</u>	<u>1,187,583</u>	<u>1,157,014</u>	<u>-</u>	<u>1,157,014</u>
<u>14,996,592</u>	<u>14,189,916</u>	<u>5,745,716</u>	<u>832,162</u>	<u>6,577,878</u>
718,878	663,137	1,143,554	3,230	1,146,784
<u>83,065</u>	<u>123,845</u>	<u>184,456</u>	<u>9,346</u>	<u>193,802</u>
<u>801,943</u>	<u>786,982</u>	<u>1,328,010</u>	<u>12,576</u>	<u>1,340,586</u>
<u>\$ 15,798,535</u>	<u>\$ 14,976,898</u>	<u>\$ 7,073,726</u>	<u>\$ 844,738</u>	<u>\$ 7,918,464</u>

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

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

Year ended June 30, 2012

	<u>Ending cash balance</u>
Composition of cash:	
U.S.D. No. 363 accounts:	
Demand deposits	\$ 5,891,981
Certificates of deposit	<u>750,000</u>
Total primary government	6,641,981
Agency funds	<u>(64,103)</u>
Total primary government (excluding agency funds)	6,577,878
Component unit:	
Holcomb Recreation Commission:	
Demand deposits	<u>1,340,586</u>
Total reporting entity (excluding agency funds)	<u><u>\$ 7,918,464</u></u>

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended June 30, 2012

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment to comply with legal maximum budget</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
Governmental type funds:					
General funds:					
General	\$ 6,484,590	\$ (215,460)	\$ 6,269,130	\$ 6,269,130	\$ -
Supplemental general	2,150,000	-	2,150,000	2,150,000	-
Special revenue funds:					
Bilingual education	172,100	-	172,100	172,100	-
Capital outlay	1,946,697	-	1,946,697	414,624	1,532,073
Driver training	15,700	-	15,700	13,367	2,333
Food service	680,378	-	680,378	565,678	114,700
Professional development	66,391	-	66,391	41,102	25,289
Special education	865,000	-	865,000	689,702	175,298
Vocational education	200,000	-	200,000	127,989	72,011
At-risk (4 yr old)	58,498	-	58,498	58,498	-
At-risk (K-12)	896,000	-	896,000	827,820	68,180
KPERS special retirement contribution	615,822	-	615,822	588,936	26,886
Recreation commission	570,000	-	570,000	570,000	-
Recreation commission employee benefits	77,000	-	77,000	77,000	-
Debt service fund:					
Bond and interest	1,187,583	-	1,187,583	1,187,583	-
	<u>15,985,759</u>	<u>(215,460)</u>	<u>15,770,299</u>	<u>13,753,529</u>	<u>2,016,770</u>
Component unit:					
Holcomb Recreation Commission:					
General	1,785,700	-	1,785,700	663,137	1,122,563
Employee benefits and special liability	130,400	-	130,400	123,845	6,555
	<u>1,916,100</u>	<u>-</u>	<u>1,916,100</u>	<u>786,982</u>	<u>1,129,118</u>
	<u>\$ 17,901,859</u>	<u>\$ (215,460)</u>	<u>\$ 17,686,399</u>	<u>\$ 14,540,511</u>	<u>\$ 3,145,888</u>

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - STATUTORY AND BUDGET

	Year ended June 30,			
		2012		
	2011	Statutory Amounts	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem tax	\$ 3,090,998	\$ 3,303,982	\$ 3,049,241	\$ 254,741
Delinquent tax	16,159	15,282	8,865	6,417
Federal aid:				
ARRA stabilization	118,558	-	-	-
Education jobs	207,595	3,115	-	3,115
State sources:				
State aid	2,388,780	2,279,932	2,762,088	(482,156)
Special education aid	472,648	524,850	664,396	(139,546)
Mineral production tax	160,368	141,968	-	141,968
Total cash receipts	<u>6,455,106</u>	<u>6,269,129</u>	<u>\$ 6,484,590</u>	<u>\$ (215,461)</u>
Expenditures and transfers subject to legal maximum budget:				
Instruction	3,009,933	3,199,568	\$ 3,387,941	\$ 188,373
Support services:				
Student support services	2,373	1,662	5,000	3,338
Instructional support staff	28,473	35,943	35,200	(743)
General administration	564,214	674,189	609,116	(65,073)
School administration	438,082	489,328	491,711	2,383
Operations and maintenance	721,137	779,111	722,652	(56,459)
Operations and maintenance - transportation	82,096	82,270	83,890	1,620
Student transportation services:				
Vehicle operating services	222,813	246,411	240,392	(6,019)
Operating transfers	1,385,984	760,648	908,688	148,040
Adjustment to comply with legal maximum budget	-	-	(215,460)	(215,460)
Total expenditures	<u>6,455,105</u>	<u>6,269,130</u>	<u>\$ 6,269,130</u>	<u>\$ -</u>
Receipts over (under) expenditures	1	(1)		
Unencumbered cash, beginning of year	-	1		
Unencumbered cash, end of year	<u>\$ 1</u>	<u>\$ -</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

SUPPLEMENTAL GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem tax	\$ 2,031,462	\$ 2,189,079	\$ 1,973,318	\$ 215,761
Delinquent tax	9,336	10,419	5,829	4,590
Motor vehicle tax	34,475	37,410	25,087	12,323
Recreational vehicle tax	637	579	479	100
Total cash receipts	<u>2,075,910</u>	<u>2,237,487</u>	<u>\$ 2,004,713</u>	<u>\$ 232,774</u>
Expenditures and transfers subject to legal maximum budget:				
Instruction	87,269	67,629	\$ 100,000	\$ 32,371
Support services:				
Student support services	43,156	40,178	43,966	3,788
Operations and maintenance	393,546	422,877	522,500	99,623
Operating transfers	1,617,755	1,619,316	1,483,534	(135,782)
Total expenditures	<u>2,141,726</u>	<u>2,150,000</u>	<u>\$ 2,150,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	(65,816)	87,487		
Unencumbered cash, beginning of year	<u>211,103</u>	<u>145,287</u>		
Unencumbered cash, end of year	<u>\$ 145,287</u>	<u>\$ 232,774</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

BILINGUAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Transfer from supplemental general fund	\$ 179,866	\$ 215,500	<u>\$ 163,100</u>	<u>\$ 52,400</u>
Expenditures:				
Instruction	<u>170,866</u>	<u>172,100</u>	<u>\$ 172,100</u>	<u>\$ -</u>
Receipts over (under) expenditures	9,000	43,400		
Unencumbered cash, beginning of year	<u>-</u>	<u>9,000</u>		
Unencumbered cash, end of year	<u>\$ 9,000</u>	<u>\$ 52,400</u>		

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part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

CAPITAL OUTLAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem tax	\$ 629,469	\$ 735,582	\$ 676,407	\$ 59,175
Delinquent tax	2,891	3,332	1,806	1,526
Motor vehicle tax	11,739	11,558	7,752	3,806
Recreational vehicle tax	219	179	148	31
Interest	6,538	1,364	-	1,364
Insurance claims and other	19,773	20,041	-	20,041
Transfer from general fund	-	66,964	161,604	(94,640)
Total cash receipts	<u>670,629</u>	<u>839,020</u>	<u>\$ 847,717</u>	<u>\$ (8,697)</u>
Expenditures:				
Instruction	10,838	29,534	\$ 215,000	\$ 185,466
Support services:				
Student support services	203,766	243,707	205,000	(38,707)
Operations and maintenance	-	5,840	75,000	69,160
Transportation	98,143	34,066	170,000	135,934
Facility acquisition and construction services:				
Architectural and engineering services	-	5,626	5,000	(626)
New building acquisition and construction	-	2,350	-	(2,350)
Building improvements	-	-	225,000	225,000
Repairs and remodeling	162,943	93,480	-	(93,480)
Other	21	21	1,051,697	1,051,676
Total expenditures	<u>475,711</u>	<u>414,624</u>	<u>\$ 1,946,697</u>	<u>\$ 1,532,073</u>
Receipts over (under) expenditures	194,918	424,396		
Unencumbered cash, beginning of year	<u>904,158</u>	<u>1,099,076</u>		
Unencumbered cash, end of year	<u>\$ 1,099,076</u>	<u>\$ 1,523,472</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

DRIVER TRAINING FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
State aid	\$ 3,552	\$ 4,418	\$ 4,440	\$ (22)
Other	7,200	8,800	-	8,800
Total cash receipts	10,752	13,218	\$ 4,440	\$ 8,778
Expenditures:				
Instruction	11,102	13,367	\$ 13,100	\$ (267)
Vehicle operations and maintenance	-	-	2,600	2,600
Total expenditures	11,102	13,367	\$ 15,700	\$ 2,333
Receipts over (under) expenditures	(350)	(149)		
Unencumbered cash, beginning of year	25,751	25,401		
Unencumbered cash, end of year	\$ 25,401	\$ 25,252		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

FOOD SERVICE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Federal aid	\$ 279,242	\$ 305,511	\$ 284,393	\$ 21,118
State aid	5,465	5,596	4,865	731
Interest	4,330	3,918	-	3,918
Charges for services	174,891	182,096	191,225	(9,129)
Other	266	4,937	-	4,937
Transfer from general fund	90,000	75,000	66,688	8,312
Total cash receipts	554,194	577,058	<u>\$ 547,171</u>	<u>\$ 29,887</u>
Expenditures:				
Food service operations	504,332	565,678	<u>\$ 680,378</u>	<u>\$ 114,700</u>
Receipts over (under) expenditures	49,862	11,380		
Unencumbered cash, beginning of year	<u>83,345</u>	<u>133,207</u>		
Unencumbered cash, end of year	<u>\$ 133,207</u>	<u>\$ 144,587</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

PROFESSIONAL DEVELOPMENT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2011	Actual	Budget	
Cash receipts:				
Transfer from supplemental general fund	\$ 8,971	\$ 30,000	\$ -	\$ 30,000
Expenditures:				
Support services:				
Instructional support staff	14,565	41,102	\$ 66,391	\$ 25,289
Receipts over (under) expenditures	(5,594)	(11,102)		
Unencumbered cash, beginning of year	71,985	66,391		
Unencumbered cash, end of year	\$ 66,391	\$ 55,289		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

SPECIAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Transfer from general fund	\$ 660,984	\$ 618,684	\$ 664,396	\$ (45,712)
Transfer from supplemental general fund	195,876	71,316	163,818	(92,502)
Total cash receipts	856,860	690,000	<u>\$ 828,214</u>	<u>\$ (138,214)</u>
Expenditures:				
Instruction	634,570	689,494	\$ 855,000	\$ 165,506
Student transportation services:				
Other student transportation services	1,362	208	10,000	9,792
Total expenditures	635,932	689,702	<u>\$ 865,000</u>	<u>\$ 175,298</u>
Receipts over (under) expenditures	220,928	298		
Unencumbered cash, beginning of year	480,905	701,833		
Unencumbered cash, end of year	<u>\$ 701,833</u>	<u>\$ 702,131</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

VOCATIONAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2011	Actual	Budget	
Cash receipts:				
Other	\$ -	\$ 989	\$ -	\$ 989
Transfer from supplemental general fund	148,000	120,000	136,616	(16,616)
Total cash receipts	148,000	120,989	<u>\$ 136,616</u>	<u>\$ (15,627)</u>
Expenditures:				
Instruction	146,455	127,989	<u>\$ 200,000</u>	<u>\$ 72,011</u>
Receipts over (under) expenditures	1,545	(7,000)		
Unencumbered cash, beginning of year	<u>97,697</u>	<u>99,242</u>		
Unencumbered cash, end of year	<u>\$ 99,242</u>	<u>\$ 92,242</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

AT-RISK (4 YR OLD) FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2011	Actual	Budget	
Cash receipts:				
Transfer from supplemental general fund	\$ 57,225	\$ 60,500	<u>\$ 50,000</u>	<u>\$ 10,500</u>
Expenditures:				
Instruction	<u>48,727</u>	<u>58,498</u>	<u>\$ 58,498</u>	<u>\$ -</u>
Receipts over (under) expenditures	8,498	2,002		
Unencumbered cash, beginning of year	<u>-</u>	<u>8,498</u>		
Unencumbered cash, end of year	<u>\$ 8,498</u>	<u>\$ 10,500</u>		

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

UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS

AT-RISK (K-12) FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfer from general fund	\$ 16,000	\$ -	\$ 16,000	\$ (16,000)
Transfer from supplemental general fund	862,817	1,052,000	850,000	202,000
Total cash receipts	878,817	1,052,000	<u>\$ 866,000</u>	<u>\$ 186,000</u>
Expenditures:				
Instruction	848,817	827,820	<u>\$ 896,000</u>	<u>\$ 68,180</u>
Receipts over (under) expenditures	30,000	224,180		
Unencumbered cash, beginning of year	<u>-</u>	<u>30,000</u>		
Unencumbered cash, end of year	<u>\$ 30,000</u>	<u>\$ 254,180</u>		

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

UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ 339,296	\$ 588,936	\$ 615,822	\$ (26,886)
Expenditures:				
Instruction	244,325	403,542	\$ 379,822	\$ (23,720)
Support services:				
Student support services	2,588	4,022	20,000	15,978
Instructional support staff	-	-	1,000	1,000
General administration	18,005	45,336	50,000	4,664
School administration	25,085	40,741	55,000	14,259
Operations and maintenance	32,507	59,933	60,000	67
Student transportation services	4,557	13,881	25,000	11,119
Food service operations	12,229	21,481	25,000	3,519
Total expenditures	339,296	588,936	\$ 615,822	\$ 26,886
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

RECREATION COMMISSION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem tax	\$ 519,213	\$ 562,101	\$ 516,690	\$ 45,411
Delinquent tax	3,129	2,884	1,490	1,394
Motor vehicle tax	10,488	11,061	7,299	3,762
Recreational vehicle tax	194	170	139	31
Other	-	-	44,382	(44,382)
Total cash receipts	533,024	576,216	<u>\$ 570,000</u>	<u>\$ 6,216</u>
Expenditures:				
Transfer to component unit	533,024	570,000	<u>\$ 570,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	-	6,216		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ 6,216</u>		

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

UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS

RECREATION COMMISSION EMPLOYEE BENEFITS FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem tax	\$ 75,914	\$ 73,060	\$ 67,060	\$ 6,000
Delinquent tax	463	407	217	190
Motor vehicle tax	1,358	1,557	1,031	526
Recreational vehicle tax	122	24	20	4
Other	-	-	5,815	(5,815)
Total cash receipts	77,857	75,048	<u>\$ 74,143</u>	<u>\$ 905</u>
Expenditures:				
Transfer to component unit	75,000	77,000	<u>\$ 77,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	2,857	(1,952)		
Unencumbered cash, beginning of year	-	2,857		
Unencumbered cash, end of year	<u>\$ 2,857</u>	<u>\$ 905</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem tax	\$ 1,137,816	\$ 1,152,197	\$ 1,059,384	\$ 92,813
Delinquent tax	5,928	5,621	3,265	2,356
Motor vehicle tax	14,147	21,073	14,125	6,948
Recreational vehicle tax	251	326	270	56
Other	2,084	-	-	-
Total cash receipts	<u>1,160,226</u>	<u>1,179,217</u>	<u>\$ 1,077,044</u>	<u>\$ 102,173</u>
Expenditures:				
Debt service:				
Principal	1,080,000	1,115,000	\$ 1,115,000	\$ -
Interest and fiscal charges	79,217	72,583	72,583	-
Bond issuance cost	12,766	-	-	-
Total expenditures	<u>1,171,983</u>	<u>1,187,583</u>	<u>\$ 1,187,583</u>	<u>\$ -</u>
Receipts over (under) expenditures	(11,757)	(8,366)		
Unencumbered cash, beginning of year	<u>1,177,137</u>	<u>1,165,380</u>		
Unencumbered cash, end of year	<u>\$ 1,165,380</u>	<u>\$ 1,157,014</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

**HOLCOMB RECREATION COMMISSION
(A COMPONENT UNIT)**

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Appropriation from Unified				
School District No. 363	\$ 533,024	\$ 570,000	\$ 570,000	\$ -
Program fees	46,342	38,132	40,000	(1,868)
Wellness center	38,093	39,816	43,000	(3,184)
Reimbursements	15,885	10,833	-	10,833
Interest	1,723	-	-	-
Donations	6,358	2,125	3,000	(875)
Miscellaneous	815	1,660	-	1,660
Pool	40,148	46,447	40,000	6,447
Rent	6,760	5,675	5,000	675
Special events	4,464	4,190	5,000	(810)
Total cash receipts	<u>693,612</u>	<u>718,878</u>	<u>\$ 706,000</u>	<u>\$ 12,878</u>
Expenditures:				
Advertising	2,875	3,758	\$ 5,000	\$ 1,242
Capital outlay	116,678	68,112	1,160,000	1,091,888
Communications	4,734	4,720	6,000	1,280
Insurance	21,178	25,083	26,000	917
Janitorial	1,304	1,255	3,500	2,245
Maintenance	23,948	22,008	30,000	7,992
Office	12,770	13,843	12,000	(1,843)
Pool	33,311	32,948	45,000	12,052
Payroll	345,466	365,137	356,000	(9,137)
Professional dues and permits	928	1,178	1,200	22
Professional fees	7,816	7,635	9,000	1,365
Programs	46,524	40,573	50,000	9,427
Refunds	1,793	1,435	2,000	565
Travel and training	9,711	14,685	10,000	(4,685)
Utilities	31,663	28,086	42,000	13,914
Vehicle expense	14,202	16,241	18,000	1,759
Wellness center	10,905	10,790	10,000	(790)
Miscellaneous	427	860	-	(860)
Transfer to employee benefits fund	3,532	4,790	-	(4,790)
Total expenditures	<u>689,765</u>	<u>663,137</u>	<u>\$ 1,785,700</u>	<u>\$ 1,122,563</u>
Receipts over (under) expenditures	3,847	55,741		
Unencumbered cash, beginning of year	<u>1,083,966</u>	<u>1,087,813</u>		
Unencumbered cash, end of year	<u>\$ 1,087,813</u>	<u>\$ 1,143,554</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

**HOLCOMB RECREATION COMMISSION
(A COMPONENT UNIT)**

EMPLOYEE BENEFITS FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Appropriation from Unified School District No. 363	\$ 75,000	\$ 77,000	\$ 77,000	\$ -
Interest	458	1,275	-	1,275
Transfer from general fund	3,532	4,790	-	4,790
Total cash receipts	78,990	83,065	<u>\$ 77,000</u>	<u>\$ 6,065</u>
Expenditures:				
Employee benefits	116,452	123,845	<u>\$ 130,400</u>	<u>\$ 6,555</u>
Receipts over (under) expenditures	(37,462)	(40,780)		
Unencumbered cash, beginning of year	<u>262,698</u>	<u>225,236</u>		
Unencumbered cash, end of year	<u>\$ 225,236</u>	<u>\$ 184,456</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES
ALL NON-BUDGETED FUNDS**

Year ended June 30, 2012

	Special revenue			Holowach estate
	Title II-A	Gift	Title I	
Cash receipts:				
Federal aid	\$ 26,094	\$ -	\$ 153,243	\$ -
Interest	-	-	-	616
Rental fees and books	-	-	-	-
Other grants and donations	-	5,246	-	-
Operating transfers in	-	-	-	-
Total cash receipts	<u>26,094</u>	<u>5,246</u>	<u>153,243</u>	<u>616</u>
Expenditures:				
Instruction	26,094	478	152,385	-
Support services:				
Student support services	-	-	-	-
Instructional support staff	-	-	-	-
Operations and maintenance	-	-	858	-
Scholarships	-	-	-	7,500
Total expenditures	<u>26,094</u>	<u>478</u>	<u>153,243</u>	<u>7,500</u>
Receipts over (under) expenditures	-	4,768	-	(6,884)
Unencumbered cash, beginning of year	-	2,215	-	631,462
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ 6,983</u>	<u>\$ -</u>	<u>\$ 624,578</u>

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

Special revenue				
Health council	Contingency reserve	Textbook	Title III ESL	Total
\$ -	\$ -	\$ -	\$ 17,706	\$ 197,043
-	-	-	-	616
-	-	75,452	-	75,452
-	-	-	-	5,246
-	-	70,000	-	70,000
-	-	145,452	17,706	348,357
-	-	128,932	13,847	321,736
1,768	-	-	-	1,768
-	-	-	3,205	3,205
-	-	-	654	1,512
-	-	-	-	7,500
1,768	-	128,932	17,706	335,721
(1,768)	-	16,520	-	12,636
12,134	645,397	152,740	-	1,443,948
<u>\$ 10,366</u>	<u>\$ 645,397</u>	<u>\$ 169,260</u>	<u>\$ -</u>	<u>\$ 1,456,584</u>

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

DISTRICT ACTIVITY FUNDS

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH**

Year ended June 30, 2012

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Cash receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
Gate receipts:						
High school:						
Athletics	\$ 2,762	\$ 25,605	\$ 17,040	\$ 11,327	\$ -	\$ 11,327
Activities director	90	1,606	545	1,151	-	1,151
Subtotal high school	<u>2,852</u>	<u>27,211</u>	<u>17,585</u>	<u>12,478</u>	<u>-</u>	<u>12,478</u>
Middle school:						
Athletics	100	-	100	-	-	-
Gate receipts	-	11,755	11,204	551	-	551
Athletic director	-	1,140	-	1,140	-	1,140
Subtotal middle school	<u>100</u>	<u>12,895</u>	<u>11,304</u>	<u>1,691</u>	<u>-</u>	<u>1,691</u>
Subtotal gate receipts	<u>2,952</u>	<u>40,106</u>	<u>28,889</u>	<u>14,169</u>	<u>-</u>	<u>14,169</u>
School projects:						
High school:						
Fees	-	41,453	41,453	-	-	-
Yearbook	-	7,278	-	7,278	-	7,278
Concession	713	13,142	12,401	1,454	-	1,454
Basketball tournament	937	-	937	-	-	-
Roundball BKB tourney	3,000	7,394	5,883	4,511	-	4,511
Holcomb coaches	-	5,336	1,935	3,401	-	3,401
Subtotal high school	<u>4,650</u>	<u>74,603</u>	<u>62,609</u>	<u>16,644</u>	<u>-</u>	<u>16,644</u>
Middle school:						
Morning stepper	300	-	110	190	-	190
MS concessions	1,017	9,208	9,058	1,167	-	1,167
Subtotal middle school	<u>1,317</u>	<u>9,208</u>	<u>9,168</u>	<u>1,357</u>	<u>-</u>	<u>1,357</u>
Subtotal school projects	<u>5,967</u>	<u>83,811</u>	<u>71,777</u>	<u>18,001</u>	<u>-</u>	<u>18,001</u>
Total district activity funds	<u>\$ 8,919</u>	<u>\$ 123,917</u>	<u>\$ 100,666</u>	<u>\$ 32,170</u>	<u>\$ -</u>	<u>\$ 32,170</u>

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

AGENCY FUNDS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS

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>
Student organization funds:				
High school:				
FFA	\$ 7,671	\$ 35,953	\$ 40,237	\$ 3,387
FCCLA	786	2,149	1,316	1,619
Chorus	4,770	2,895	2,155	5,510
Band	1,528	5,845	7,107	266
Boys golf fundraiser	94	-	-	94
Girls golf fundraiser	75	-	-	75
RIA metal	4,644	1,510	4,631	1,523
Drama club	691	355	355	691
Cheerleaders	1,169	2,957	3,848	278
Dance	215	-	209	6
FCA fundraiser	4,744	9,157	10,921	2,980
Bowling fundraiser	1,892	324	-	2,216
Gifted resource	1,184	1	-	1,185
Photo journalism	227	1	-	228
Odyssey of the Mind	4,568	30,328	34,004	892
CBI	433	1,092	913	612
Student council	1,218	1,461	1,762	917
KAY club	397	2,552	2,468	481
Class of 2013	169	6,613	6,194	588
Book club	285	416	155	546
Class of 2012	1,358	53	1,066	345
Class of 2014	115	150	-	265
Class of 2011	379	-	-	379
Volleyball fundraiser	897	-	897	-
Football fundraiser	510	396	610	296
Leadership program	670	-	-	670
HALO	162	109	51	220
Student activity fund	8,189	30	1,328	6,891
SADD	621	3,196	3,378	439
Forensics	1,536	-	101	1,435
Science club	136	-	-	136
Cross country	1,871	25	294	1,602
Wrestling fundraiser	580	638	640	578
Softball fundraiser	91	-	-	91
Foreign language	8,216	30	695	7,551
Subtotal high school	62,091	108,236	125,335	44,992

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

AGENCY FUNDS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS (CONTINUED)

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>
Middle school:				
Football	\$ -	\$ 998	\$ 998	\$ -
Cheerleaders	215	172	205	182
Student council	1,328	833	1,553	608
Werms (gifted)	344	-	344	-
Middle school book club	42	-	42	-
8th grade class	246	-	246	-
W.A.W.	-	6,179	4,342	1,837
Odyssey of the mind	-	282	282	-
7th grade class	78	-	75	3
Middle school writing club	225	-	225	-
A.R. reading	614	641	472	783
Middle school math	494	-	30	464
Poetry slam	188	24	105	107
Subtotal middle school	<u>3,774</u>	<u>9,129</u>	<u>8,919</u>	<u>3,984</u>
Elementary school:				
Elementary STUCO	1,656	40	-	1,696
Elem craft fair	1,831	-	-	1,831
5th grade special projects	1,404	2,515	2,577	1,342
Subtotal elementary school	<u>4,891</u>	<u>2,555</u>	<u>2,577</u>	<u>4,869</u>
Total student organization funds	<u>70,756</u>	<u>119,920</u>	<u>136,831</u>	<u>53,845</u>
Clearing funds:				
High school sales tax	87	6,878	6,855	110
High school interest income	-	14	14	-
Middle school sales tax	-	1,961	1,635	326
Middle school interest income	-	20	20	-
Flex benefit plan	15,086	38,223	43,487	9,822
Total clearing funds	<u>15,173</u>	<u>47,096</u>	<u>52,011</u>	<u>10,258</u>
Total agency funds	<u>\$ 85,929</u>	<u>\$ 167,016</u>	<u>\$ 188,842</u>	<u>\$ 64,103</u>

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

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist the reader in understanding the District's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are representations of the District's management, which is responsible for their integrity and objectivity. The amounts shown for 2011 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2012, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting described below.

1. Reporting entity

Unified School District No. 363 is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 363 (the primary government) and its component unit. The component unit is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

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

Holcomb Recreation Commission. The Commission oversees recreational activities. Four of the five members of the governing board are appointed by the Board of Education. The Commission operates as a separate governing body but the District levies taxes for the Commission and the Commission has only the powers granted by statute, K.S.A. 12-1928. The Commission cannot purchase real property but can acquire real property by gift.

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

Holcomb Recreation Commission
P.O. Box 78, 106 Wiley
Holcomb, Kansas 67851

2. Fund accounting

The accounts of the District are organized on the basis of funds. In governmental accounting, a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. District resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting (continued)

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

GOVERNMENTAL FUNDS

General Funds

General funds are used to account for all financial transactions not properly accounted for in another fund. They receive a greater variety and number of taxes and other general revenue than any other fund and finance a wider range of activities than any other fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources which must be devoted to some special use as required by law or specific regulations.

Debt Service Funds

Debt service funds are used to account for the financing of long-term debt that is not otherwise financed from other revenue.

FIDUCIARY FUNDS

Agency Funds

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations and other governmental units.

3. Basis of Accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

K.S.A. 72-6417 and K.S.A. 72-6434 require that districts receiving state aid in July for the previous fiscal year ended in June to record and account for these funds as receipts for the previous fiscal year ending on the preceding June 30.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Accounting (continued)

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

4. Budgetary information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended June 30, 2012.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary information (continued)

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

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

Gift	Contingency reserve
Holowach estate	Textbook
Health council	District activity funds

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

5. Cash and investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in interest-bearing deposits and disclosed as part of the District's cash balances. Unless specifically designated, all investment income is credited to funds designated by K.S.A. 72-6427.

6. Ad valorem tax revenue

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied by November 1 and a lien for all taxes attaches on that same date until the taxes are paid. One-half of the property taxes is due December 20 and distributed to the District by January 20, and the second half is due May 10 and distributed to the District by June 5. The District Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

7. Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERs) which is a cost-sharing multiple-employer state-wide pension plan. The State of Kansas pays the District's share of all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Compensated absences

The District's policy is to recognize the costs of compensated absences when actually paid. District policies address vacation for employees on twelve-month contracts and sick leave for all full time employees. Employees on twelve-month contracts receive two weeks of vacation per year. After an employee has worked for the District for five years, they receive an additional day of vacation for each year until they receive a maximum of fifteen days of vacation. The Superintendent's vacation is noted in her contract and is normally twenty days. Vacation may be accumulated to twice the employee's annual allotment and if not used it will be lost. Upon retirement, termination, or resignation, the District pays for any accumulated vacation days.

Certified employees on salary receive fifteen days of sick leave annually. Classified employees receive one sick day per month worked. An employee may not carry over more than one hundred sick days from year to year. Policies permit unused sick leave to be reimbursed if the employee has been with the District for more than fifteen years and retires or resigns at the end of the school year. The District pays for accumulated sick leave at a rate of \$1.00 per day per year of service. After twenty five years of service the rate increases to \$1.50 per day per year of service.

9. Section 125 plan

The District offers a Section 125 Flexible Benefit Plan to employees electing to participate. It is used for unreimbursed medical expense and dependent care expense. The plan is administered by an independent company.

10. Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts and the disclosures at the date of the financial statements. Actual results could differ from those estimates.

11. Other post employment benefits

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

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

B. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds to have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the 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.

B. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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 does not have a designated "peak period".

At year-end the carrying amount of the District's deposits was \$6,641,981 and the bank balance was \$7,111,752. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$269,094 was covered by FDIC insurance and \$6,842,658 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

C. LONG-TERM DEBT

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

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions/ net change</u>	<u>Reductions</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Refunding Series 2009					
Issued September 30, 2009					
In the amount of \$2,685,000					
At interest rates of					
1.50% to 2.75%					
Maturing September 1, 2014	\$2,175,000	\$ -	\$ 520,000	\$1,655,000	\$ 46,663
Refunding Series 2010					
Issued June 9, 2010					
In the amount of \$2,185,000					
At interest rates of					
0.75% to 2.00%					
Maturing March 1, 2014	<u>1,715,000</u>	<u>-</u>	<u>595,000</u>	<u>1,120,000</u>	<u>25,920</u>
Total general obligation bonds	3,890,000	-	1,115,000	2,775,000	72,583
Capital leases:					
Lighting equipment					
Issued March 12, 2009					
In the amount of \$126,798					
At interest rate of 4.90%					
Maturing March 1, 2018	<u>103,039</u>	<u>-</u>	<u>12,670</u>	<u>90,369</u>	<u>4,896</u>
Total contractual indebtedness	3,993,039	-	1,127,670	2,865,369	77,479
Compensated absences payable	<u>85,914</u>	<u>5,532</u>	<u>-</u>	<u>91,446</u>	<u>-</u>
Total long-term debt	<u>\$4,078,953</u>	<u>\$ 5,532</u>	<u>\$1,127,670</u>	<u>\$2,956,815</u>	<u>\$ 77,479</u>

C. LONG-TERM DEBT (CONTINUED)

Current maturities of general obligation bonds and interest through maturity are as follows:

	Principal due	Interest due	Total due
2013	\$ 1,145,000	\$ 54,259	\$ 1,199,259
2014	1,060,000	31,650	1,091,650
2015	570,000	7,837	577,837
Total	<u>\$ 2,775,000</u>	<u>\$ 93,746</u>	<u>\$ 2,868,746</u>

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

	Principal due	Interest due	Total due
2013	\$ 13,299	\$ 4,267	\$ 17,566
2014	13,959	3,607	17,566
2015	14,651	2,915	17,566
2016	15,378	2,188	17,566
2017	16,141	1,426	17,567
2018	16,941	625	17,566
Total	<u>\$ 90,369</u>	<u>\$ 15,028</u>	<u>\$ 105,397</u>

D. DEFEASED BONDS

Series 2009 Refunding Bonds. On September 30, 2009, the District issued \$2,685,000 in general obligation bonds with interest rates ranging from 1.50% to 2.75% to advance refund \$2,605,000 of the outstanding Series 1998 bonds with interest rates ranging from 4.250% to 4.375%. The new bonds resulted in net proceeds of \$2,614,374 after costs of issuance of \$70,626. As a result, the refunded portions of the Series 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt footnote.

The District advance refunded the callable portions of the Series 1998 bonds to reduce its total debt service payments over the next six years by \$77,093 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$64,040.

Series 2010 Refunding Bonds. On June 9, 2010, the District issued \$2,185,000 in general obligation bonds with interest rates ranging from 0.75% to 2.00% to advance refund \$2,145,000 of the outstanding Series 2002 bonds with interest rates ranging from 3.50% to 4.00%. The new bonds resulted in net proceeds of \$2,145,000 after costs of issuance of \$40,000. As a result, the refunded portions of the Series 2002 bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt footnote.

The District advance refunded the callable portions of the Series 2002 bonds to reduce its total debt service payments over the next five years by \$82,935 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$77,456.

E. DEFINED BENEFIT PENSION PLAN

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

Funding Policy. K.S.A. 74-4919 and 74-49,210 establish the KPERS member-employee contribution rates at 4% and 6%, respectively of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 9.77% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2012, 2011, and 2010 were \$298,635,383, \$253,834,044, and \$248,468,186, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2012, 2011, and 2010 were \$588,936, \$339,296, and \$410,307 respectively.

F. INTERFUND TRANSACTIONS

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenue are operating transfers. These transfers, authorized by K.S.A. 72-6428 and K.S.A. 72-6433 are as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General	Capital outlay	\$ 66,964
General	Food service	75,000
General	Special education	618,684
Supplemental general	Textbook	70,000
Supplemental general	Bilingual education	215,500
Supplemental general	At-risk (K-12)	1,052,000
Supplemental general	At-risk (4 yr old)	60,500
Supplemental general	Professional development	30,000
Supplemental general	Vocational education	120,000
Supplemental general	Special education	<u>71,316</u>
		<u>\$2,379,964</u>

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

<u>From</u>	<u>To</u>	<u>Amount</u>
Recreation commission fund	Holcomb Recreation Commission	\$ 570,000
Recreation commission employee benefits fund	Holcomb Recreation Commission	<u>77,000</u>
		<u>\$ 647,000</u>

G. 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; natural disasters; and medical needs of employees. The District purchases commercial insurance to cover health, property, liability, and workers' compensation claims. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in any of the past three years.

H. CONTINGENCIES

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

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 2, 2013, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.

APPENDICES

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**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 No. 363
Holcomb, Kansas

We have audited the financial statements of Unified School District No. 363, Holcomb, Kansas as of and for the year ended June 30, 2012 and have issued our report thereon dated January 2, 2013. 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. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Management of Unified School District No. 363 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Unified School District No. 363'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 Unified School District No. 363'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*.

This report is intended solely for the information and use of the Board of Education and management of Unified School District No. 363, the Kansas Departments of Administration and Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy McKee & Company LLP

January 2, 2013

Kennedy
McKee & Company LLP Certified Public Accountants

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**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 No. 363
Holcomb, Kansas

Compliance

We have audited Unified School District No. 363's compliance 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 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 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 of the District's compliance with those requirements.

In our opinion, Unified School District No. 363 complied, in all material respects, with the compliance 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 Unified School District No. 363 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 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 report is intended solely for the information and use of the Board of Education and management of Unified School District No. 363, the Kansas Departments of Administration and Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy McKee & Company LLP

January 2, 2013

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2012

Federal grantor/ pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Unencumbered cash beginning of year	Canceled encumbrances	Cash receipts	Expenditures	Unencumbered cash end of year
<u>U.S. Department of Education</u>							
Passed through Kansas Department of Education Title I Program	84.010	N/A	\$ -	\$ -	\$ 153,243	\$ 153,243	\$ -
Title II-A - Improving Teacher Quality	84.367	N/A	-	-	26,094	26,094	-
Title III English Language Acquisition	84.365	N/A	-	-	17,706	17,706	-
Education Jobs Fund - ARRA	84.410	S410A100017	-	-	3,115	3,115	-
			-	-	200,158	200,158	-
<u>U.S. Department of Agriculture</u>							
Passed through Kansas Department of Education: School Breakfast Program	10.553	N/A	-	-	62,837	62,837	-
National School Lunch Program	10.555	N/A	-	-	242,674	242,674	-
			-	-	305,511	305,511	-
<u>Department of Health and Human Services</u>							
Passed through Kansas Department of Education Youth Risk Behavior Survey	93.938	N/A	-	-	235	235	-
Total federal assistance			\$ -	\$ -	\$ 505,904	\$ 505,904	\$ -

Note - The Schedule of Expenditures of Federal Awards is prepared in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas.

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Unified School District No. 363.
2. There were no significant deficiencies disclosed during the audit of the financial statements and 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 Unified School District No. 363 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 internal control over major federal programs were reported in the 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.
5. The auditor's report on compliance for the major federal award programs for Unified School District No. 363 expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for Unified School District No. 363, as reported in Part C. of this Schedule.
7. The programs tested as major programs included:

School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Unified School District No. 363 qualified as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None noted

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None noted

**UNIFIED SCHOOL DISTRICT NO. 363
HOLCOMB, KANSAS**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2012

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None relative to federal awards