

UNIFIED SCHOOL DISTRICT NO. 373

NEWTON, KANSAS

Special Financial Statements

June 30, 2012

Unified School District No. 373

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 373
Newton, Kansas

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 373, Newton, Kansas, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2011 financial statements and, in our report dated December 9, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with the *Kansas Municipal Audit Guide*; auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component units. The District has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component unit, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the District has prepared these financial statements 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, 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 omission of the discretely presented component unit, as discussed above, and 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. 373, Newton, Kansas, as of June 30, 2012, or the results of its operations for the year then ended.

Board of Education
Unified School District No. 373

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Primary Government of Unified School District No. 373, Newton, Kansas, as of June 30, 2012, and its cash receipts and expenditures for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2012, on our consideration of the District's internal control over financial reporting and 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 the 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 of Unified School District No. 373, Newton, Kansas, taken 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 taken as a whole.

Knudsen, Monroe & Company, LLC

Certified Public Accountants

December 5, 2012

Unified School District No. 373

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH BALANCE

Year ended June 30, 2012

FUNDS	Unencumbered Cash Balance 6/30/11 *	Prior Year Canceled Encumbrances	Receipts	Expenditures	Unencumbered Cash Balance 6/30/12	Liabilities and Encumbrances	Cash Balance 6/30/12
General	\$ 4,358	-	21,620,867	21,624,159	1,066	84,256	85,322
Supplemental general	72,540	-	6,543,252	6,360,000	255,792	86,482	342,274
Special revenue							
Adult basic education	51,009	-	19,250	19,250	51,009	-	51,009
At risk (4 year old)	15,000	-	146,200	146,049	15,151	-	15,151
At risk (K-12)	40,011	-	2,565,920	2,565,862	40,069	757	40,826
Bilingual education	-	-	497,056	497,056	-	-	-
Virtual education	-	-	207,900	207,900	-	-	-
Capital outlay	1,275,709	-	759,920	685,411	1,350,218	138,788	1,489,006
Driver training	56,442	-	41,401	36,584	61,259	-	61,259
Food service	323,421	-	1,712,369	1,651,629	384,161	-	384,161
Professional development	146,771	-	90,000	89,443	147,328	-	147,328
Parent education	38,174	-	138,463	137,574	39,063	-	39,063
Summer school	13,007	-	11,940	11,880	13,067	-	13,067
Special education	380,000	-	4,367,805	4,367,772	380,033	-	380,033
KPERS employer contribution	-	-	2,491,795	2,491,795	-	-	-
Vocational education	50,179	-	1,259,322	1,258,871	50,630	28,002	78,632
Contingency reserve	1,267,148	-	300,000	300,000	1,267,148	-	1,267,148
Textbook and material revolving	203,869	-	289,048	237,445	255,472	7,815	263,287
Co-op special education	1,797,909	-	7,230,226	7,435,208	1,592,927	167	1,593,094
Recreation	15,810	-	1,260,671	1,246,300	30,181	-	30,181
Federal grant programs	317	-	956,459	960,915	(4,139)	3,498	(641)
Gate receipts	147,467	-	382,534	387,698	142,303	-	142,303
School projects	20,023	-	83,679	85,850	17,852	-	17,852
Debt service							
Bond and interest	2,188,707	-	4,305,813	3,850,943	2,643,577	-	2,643,577
Capital improvement project							
2007 improvement	733,406	-	53	733,459	-	-	-
Fiduciary							
Student organizations	-	-	204,561	204,561	-	80,310	80,310
Gift	350,098	-	213,486	253,776	309,808	543	310,351
	<u>\$ 9,191,375</u>	<u>-</u>	<u>57,699,990</u>	<u>57,847,390</u>	<u>9,043,975</u>	<u>430,618</u>	<u>9,474,593</u>

* As Restated - See note 7

Unified School District No. 373

SUMMARY STATEMENT OF EXPENDITURES,
ACTUAL AND BUDGET

Year ended June 30, 2012

	<u>Certified Budget</u>	<u>Adjustment to Comply with Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 21,170,514	(138,348)	593,059	21,625,225	21,624,159	(1,066)
Supplemental general	6,360,000	-	-	6,360,000	6,360,000	-
Special revenue						
Adult basic education	51,009	-	-	51,009	19,250	(31,759)
At risk (4 year old)	159,785	-	-	159,785	146,049	(13,736)
At risk (K-12)	2,645,390	-	-	2,645,390	2,565,862	(79,528)
Bilingual education	553,812	-	-	553,812	497,056	(56,756)
Virtual education	215,450	-	-	215,450	207,900	(7,550)
Capital outlay	1,525,000	-	-	1,525,000	685,411	(839,589)
Driver training	67,394	-	-	67,394	36,584	(30,810)
Food service	2,052,480	-	-	2,052,480	1,651,629	(400,851)
Professional development	146,771	-	-	146,771	89,443	(57,328)
Parent education	169,481	-	-	169,481	137,574	(31,907)
Summer school	20,007	-	-	20,007	11,880	(8,127)
Special education	4,840,059	-	-	4,840,059	4,367,772	(472,287)
KPERS employer contribution	2,698,182	-	-	2,698,182	2,491,795	(206,387)
Vocational education	1,316,179	-	-	1,316,179	1,258,871	(57,308)
Co-op special education	9,064,852	-	-	9,064,852	7,435,208	(1,629,644)
Recreation	1,246,300	-	-	1,246,300	1,246,300	-
Debt service						
Bond and interest	<u>3,851,443</u>	<u>-</u>	<u>-</u>	<u>3,851,443</u>	<u>3,850,943</u>	<u>(500)</u>
	<u>\$ 58,154,108</u>	<u>(138,348)</u>	<u>593,059</u>	<u>58,608,819</u>	<u>54,683,686</u>	<u>(3,925,133)</u>
Add expenditures of unbudgeted funds						
Special Revenue					1,971,908	
Capital Projects					733,459	
Fiduciary					<u>458,337</u>	
Total expenditures, Statement 1					<u>\$ 57,847,390</u>	

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		Variance -
	2011			Over
	Actual	Actual	Budget	(Under)
GENERAL FUND				
Receipts				
Taxes				
Tax in process	\$ 123,160	157,377	171,082	(13,705)
Current tax	2,189,463	2,258,445	2,184,066	74,379
Delinquent tax	54,705	59,440	49,790	9,650
Mineral production tax	16	20	-	20
General state aid	14,821,572	15,242,296	15,439,097	(196,801)
Special education state aid	2,739,395	3,000,757	3,022,121	(21,364)
ARRA stabilization aid	363,382	-	-	-
Education jobs aid	636,281	9,473	-	9,473
Transfers from other funds	-	300,000	300,000	-
Reimbursements -				
State juvenile detention payments	146,432	105,840	-	105,840
Fees and other	510,271	487,219	-	487,219
	<u>21,584,677</u>	<u>21,620,867</u>	<u>21,166,156</u>	<u>454,711</u>
Expenditures				
Instruction	9,321,794	9,058,430	9,426,712	(368,282)
Student support services	940,168	935,942	936,733	(791)
Instructional support staff	1,023,676	822,872	776,588	46,284
General administration	139,531	131,608	148,346	(16,738)
School administration	1,811,587	1,801,091	1,887,208	(86,117)
Other support services	63,784	50,765	87,599	(36,834)
Operations and maintenance	1,926,533	1,928,139	1,845,799	82,340
Student transportation	403,523	432,526	375,626	56,900
Community services	163,772	186,118	-	186,118
Transfers to other funds	5,789,038	6,276,668	5,685,903	590,765
	<u>21,583,406</u>	<u>21,624,159</u>	<u>21,170,514</u>	<u>453,645</u>
Budget adjustments:				
Qualifying budget credits	-	-	593,059	(593,059)
Legal maximum budget	-	-	(138,348)	138,348
	<u>21,583,406</u>	<u>21,624,159</u>	<u>21,625,225</u>	<u>(1,066)</u>
Receipts over (under) expenditures	1,271	(3,292)		
Unencumbered cash, beginning - As restated	3,087	4,358		
Unencumbered cash, ending	\$ 4,358	1,066		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		Variance -
	2011			Over
	Actual	Actual	Budget	(Under)
SUPPLEMENTAL GENERAL FUND				
Receipts				
Taxes				
Tax in process	\$ 124,050	173,317	191,999	(18,682)
Current tax	2,448,106	2,726,881	3,013,904	(287,023)
Delinquent tax	55,772	66,025	55,611	10,414
Motor vehicle tax	331,399	314,365	363,062	(48,697)
State aid	3,385,546	3,262,577	3,145,109	117,468
Other	-	87	-	87
	<u>6,344,873</u>	<u>6,543,252</u>	<u>6,769,685</u>	<u>(226,433)</u>
Expenditures				
Instruction	556,821	625,069	550,692	74,377
Student support services	111,335	52,110	52,000	110
Instructional support staff	275,109	272,288	288,975	(16,687)
General administration	329,492	305,647	323,312	(17,665)
Student transportation	-	50,000	-	50,000
Other support services	444,196	449,894	469,953	(20,059)
Operations and maintenance	1,187,846	1,150,594	1,337,697	(187,103)
Transfers to other funds	<u>3,455,201</u>	<u>3,454,398</u>	<u>3,337,371</u>	<u>117,027</u>
	<u>6,360,000</u>	<u>6,360,000</u>	<u>6,360,000</u>	<u>-</u>
Receipts over (under) expenditures	(15,127)	183,252		
Unencumbered cash, beginning - As restated	<u>87,667</u>	<u>72,540</u>		
Unencumbered cash, ending	<u>\$ 72,540</u>	<u>255,792</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		Variance -
	2011			Over
	Actual	Actual	Budget	(Under)
ADULT BASIC EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 12,000	19,250	-	19,250
Expenditures				
Instruction	11,592	19,250	51,009	(31,759)
Receipts over (under) expenditures	408	-		
Unencumbered cash, beginning	50,601	51,009		
Unencumbered cash, ending	\$ 51,009	51,009		
AT RISK FUND (4 Year Old)				
Receipts				
Transfers from other funds	\$ 149,635	146,200	144,785	1,415
Expenditures				
Instruction	116,893	116,886	120,506	(3,620)
Student transportation	32,803	29,163	39,279	(10,116)
	149,696	146,049	159,785	(13,736)
Receipts over (under) expenditures	(61)	151		
Unencumbered cash, beginning	15,061	15,000		
Unencumbered cash, ending	\$ 15,000	15,151		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		Variance -
	2011			Over
	Actual	Actual	Budget	(Under)
AT RISK FUND (K-12)				
Receipts				
Summer school fees	\$ 7,785	225	-	225
Transfers from other funds	<u>2,691,697</u>	<u>2,565,695</u>	<u>2,605,379</u>	<u>(39,684)</u>
	<u>2,699,482</u>	<u>2,565,920</u>	<u>2,605,379</u>	<u>(39,459)</u>
Expenditures				
Instruction	2,415,526	2,561,897	2,642,390	(80,493)
Student support services	75,615	-	-	-
School administration	105,928	3,965	3,000	965
Operations and maintenance	<u>102,381</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,699,450</u>	<u>2,565,862</u>	<u>2,645,390</u>	<u>(79,528)</u>
Receipts over (under) expenditures	32	58		
Unencumbered cash, beginning	<u>39,979</u>	<u>40,011</u>		
Unencumbered cash, ending	<u>\$ 40,011</u>	<u>40,069</u>		
BILINGUAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 557,931	497,056	<u>553,812</u>	<u>(56,756)</u>
Expenditures				
Instruction	<u>557,931</u>	<u>497,056</u>	<u>553,812</u>	<u>(56,756)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>-</u>	<u>-</u>		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		
VIRTUAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ -	<u>207,900</u>	<u>215,450</u>	<u>(7,550)</u>
Expenditures				
Instruction	-	186,732	197,505	(10,773)
Student support services	<u>-</u>	<u>21,168</u>	<u>17,945</u>	<u>3,223</u>
	<u>-</u>	<u>207,900</u>	<u>215,450</u>	<u>(7,550)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>-</u>	<u>-</u>		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		
	2011			Variance -
	Actual	Actual	Budget	Over (Under)
CAPITAL OUTLAY FUND				
Receipts				
Taxes				
Tax in process	\$ 29,243	41,432	39,312	2,120
Current tax	501,571	300,785	290,770	10,015
Delinquent tax	13,498	14,820	11,394	3,426
Motor vehicle tax	78,569	70,202	80,419	(10,217)
Interest	12,611	10,716	-	10,716
Sale of assets and other	57,446	24,965	-	24,965
Transfers from other funds	-	297,000	-	297,000
	<u>692,938</u>	<u>759,920</u>	<u>421,895</u>	<u>338,025</u>
Expenditures				
Instruction	244,294	94,253	700,000	(605,747)
School administration	13,524	3,761	10,000	(6,239)
Operations and maintenance	38,521	10,157	50,000	(39,843)
Other support services	18,001	79,381	45,000	34,381
Transportation	21,500	92,661	120,000	(27,339)
Facilities acquisition and construction	463,258	405,198	600,000	(194,802)
	<u>799,098</u>	<u>685,411</u>	<u>1,525,000</u>	<u>(839,589)</u>
Receipts over (under) expenditures	(106,160)	74,509		
Unencumbered cash, beginning	<u>1,381,869</u>	<u>1,275,709</u>		
Unencumbered cash, ending	<u>\$ 1,275,709</u>	<u>1,350,218</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		Variance -
	2011			Over
	Actual	Actual	Budget	(Under)
DRIVER TRAINING FUND				
Receipts				
State aid	\$ 13,098	13,724	10,952	2,772
Fees and other	29,428	27,677	-	27,677
	<u>42,526</u>	<u>41,401</u>	<u>10,952</u>	<u>30,449</u>
Expenditures				
Instruction				
Salaries and benefits	31,252	24,045	38,359	(14,314)
Supplies and other	489	1	1,800	(1,799)
Vehicle operations and maintenance	15,388	12,538	27,235	(14,697)
	<u>47,129</u>	<u>36,584</u>	<u>67,394</u>	<u>(30,810)</u>
Receipts over (under) expenditures	(4,603)	4,817		
Unencumbered cash, beginning	61,045	56,442		
Unencumbered cash, ending	<u>\$ 56,442</u>	<u>61,259</u>		
FOOD SERVICE FUND				
Receipts				
Meal sales	\$ 630,433	644,855	709,297	(64,442)
Federal aid	951,723	1,034,607	1,004,923	29,684
State aid	16,900	17,515	14,839	2,676
Other	17,234	15,392	-	15,392
Transfers from other funds	52,000	-	-	-
	<u>1,668,290</u>	<u>1,712,369</u>	<u>1,729,059</u>	<u>(16,690)</u>
Expenditures				
Food service operation				
Salaries and benefits	691,284	684,361	769,651	(85,290)
Food and supplies	921,013	926,808	1,058,400	(131,592)
Capital outlay and other	20,701	18,063	219,429	(201,366)
Operations and maintenance	20,617	22,397	5,000	17,397
	<u>1,653,615</u>	<u>1,651,629</u>	<u>2,052,480</u>	<u>(400,851)</u>
Receipts over (under) expenditures	14,675	60,740		
Unencumbered cash, beginning	308,746	323,421		
Unencumbered cash, ending	<u>\$ 323,421</u>	<u>384,161</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		Variance -
	2011 Actual	Actual	Budget	Over (Under)
PROFESSIONAL DEVELOPMENT FUND				
Receipts				
Transfers from other funds	\$ 81,000	90,000	-	90,000
Expenditures				
Instructional staff support				
Salaries and benefits	56,902	45,411	59,296	(13,885)
Consultants	-	-	12,000	(12,000)
Registration and travel	16,541	17,800	35,800	(18,000)
Supplies and other	33,432	26,232	39,675	(13,443)
	106,875	89,443	146,771	(57,328)
Receipts over (under) expenditures	(25,875)	557		
Unencumbered cash, beginning	172,646	146,771		
Unencumbered cash, ending	\$ 146,771	147,328		
PARENT EDUCATION FUND				
Receipts				
State aid	\$ 59,552	57,921	60,120	(2,199)
Other districts' contributions	13,218	17,149	13,218	3,931
Other	36,410	32,393	57,969	(25,576)
Transfers from other funds	35,336	31,000	-	31,000
	144,516	138,463	131,307	7,156
Expenditures				
Student support services				
Salaries and benefits	124,996	115,552	134,122	(18,570)
Supplies and travel	10,477	12,811	18,696	(5,885)
Other	6,000	-	8,444	(8,444)
Instructional staff support	1,276	7,422	6,430	992
Other supplemental services	1,789	1,789	1,789	-
	144,538	137,574	169,481	(31,907)
Receipts over (under) expenditures	(22)	889		
Unencumbered cash, beginning	38,196	38,174		
Unencumbered cash, ending	\$ 38,174	39,063		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		
	2011 Actual	Actual	Budget	Variance - Over (Under)
SUMMER SCHOOL FUND				
Receipts				
Student fees	\$ 7,655	8,340	7,000	1,340
Transfers from other funds	-	3,600	-	3,600
	<u>7,655</u>	<u>11,940</u>	<u>7,000</u>	<u>4,940</u>
Expenditures				
Instruction	9,174	10,608	20,007	(9,399)
School administration	-	1,272	-	1,272
	<u>9,174</u>	<u>11,880</u>	<u>20,007</u>	<u>(8,127)</u>
Receipts over (under) expenditures	(1,519)	60		
Unencumbered cash, beginning	<u>14,526</u>	<u>13,007</u>		
Unencumbered cash, ending	<u>\$ 13,007</u>	<u>13,067</u>		
SPECIAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 4,191,363	4,295,457	4,430,058	(134,601)
Medicaid	60,548	64,795	25,000	39,795
Other	7,549	7,553	5,001	2,552
	<u>4,259,460</u>	<u>4,367,805</u>	<u>4,460,059</u>	<u>(92,254)</u>
Expenditures				
Transfer to cooperative	3,868,064	4,035,424	4,057,129	(21,705)
Instruction	85,101	47,875	459,445	(411,570)
Instructional staff support	25	-	-	-
School administration	128,373	113,644	114,705	(1,061)
Transportation	148,060	170,829	208,780	(37,951)
	<u>4,229,623</u>	<u>4,367,772</u>	<u>4,840,059</u>	<u>(472,287)</u>
Receipts over (under) expenditures	29,837	33		
Unencumbered cash, beginning	<u>350,163</u>	<u>380,000</u>		
Unencumbered cash, ending	<u>\$ 380,000</u>	<u>380,033</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		Variance -
	2011	Actual	Budget	Over
	Actual			(Under)
KPERS EMPLOYER CONTRIBUTION FUND				
Receipts				
State aid	\$ 1,482,518	2,491,795	2,698,182	(206,387)
Expenditures				
Instruction	973,125	1,636,362	1,772,043	(135,681)
Student support services	134,909	224,012	242,457	(18,445)
Instructional support services	63,748	105,901	114,573	(8,672)
General administration	33,208	55,816	60,561	(4,745)
School administration	109,706	184,393	199,605	(15,212)
Other supplemental services	22,683	40,118	59,516	(19,398)
Operations and maintenance	80,352	136,550	147,871	(11,321)
Student transportation services	20,459	34,387	37,133	(2,746)
Food service operations	35,136	59,554	64,423	(4,869)
Community service operations	9,192	14,702	-	14,702
	<u>1,482,518</u>	<u>2,491,795</u>	<u>2,698,182</u>	<u>(206,387)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		
VOCATIONAL EDUCATION FUND				
Receipts				
Tuition	\$ 153,352	138,775	155,000	(16,225)
Federal vocational grant	31,128	29,110	29,110	-
Transfers from other funds	1,100,161	1,086,250	1,073,790	12,460
Revolving funds and other	8,879	5,187	8,100	(2,913)
	<u>1,293,520</u>	<u>1,259,322</u>	<u>1,266,000</u>	<u>(6,678)</u>
Expenditures				
Instruction	1,115,359	1,060,695	1,106,683	(45,988)
Instructional staff support	25,266	29,412	25,235	4,177
School administration	94,128	120,957	120,318	639
Operations and maintenance	38,306	31,893	48,000	(16,107)
Other support services	15,912	15,914	15,943	(29)
	<u>1,288,971</u>	<u>1,258,871</u>	<u>1,316,179</u>	<u>(57,308)</u>
Receipts over (under) expenditures	4,549	451		
Unencumbered cash, beginning	<u>45,630</u>	<u>50,179</u>		
Unencumbered cash, ending	<u>\$ 50,179</u>	<u>50,630</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		Variance -
	2011 Actual	Actual	Budget	Over (Under)
CONTINGENCY RESERVE FUND				
Receipts				
Transfers from other funds	\$ 209,116	300,000		
Expenditures				
Transfers to other funds	-	300,000		NOT APPLICABLE
Receipts over (under) expenditures	209,116	-		
Unencumbered cash, beginning	1,058,032	1,267,148		
Unencumbered cash, ending	<u>\$ 1,267,148</u>	<u>1,267,148</u>		
TEXTBOOK AND MATERIAL REVOLVING FUND				
Receipts				
Fees and other	\$ 95,992	97,390		
Transfers from other funds	164,000	191,658		
	<u>259,992</u>	<u>289,048</u>		
Expenditures				
Textbooks	215,271	237,445		NOT APPLICABLE
Receipts over (under) expenditures	44,721	51,603		
Unencumbered cash, beginning	159,148	203,869		
Unencumbered cash, ending	<u>\$ 203,869</u>	<u>255,472</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		Variance -
	2011 Actual	Actual	Budget	Over (Under)
CO-OP SPECIAL EDUCATION FUND				
Receipts				
Transfer from special education	\$ 3,868,064	4,035,424	4,057,129	(21,705)
Other districts' contributions	1,742,801	1,784,367	1,796,860	(12,493)
Title VIB and other federal aid	1,983,175	1,193,441	1,169,694	23,747
Medicaid reimbursements	209,460	187,679	210,000	(22,321)
Other	16,781	29,315	33,260	(3,945)
	<u>7,820,281</u>	<u>7,230,226</u>	<u>7,266,943</u>	<u>(36,717)</u>
Expenditures				
Instruction	5,643,063	5,693,959	7,278,053	(1,584,094)
Student support services	1,367,682	1,304,359	1,372,537	(68,178)
Instructional staff support	34,368	33,342	25,000	8,342
General administration	325,664	352,090	357,062	(4,972)
Operation and maintenance	4,616	18,899	6,200	12,699
Student transportation	14,933	15,059	8,500	6,559
Other supplemental services	17,500	17,500	17,500	-
	<u>7,407,826</u>	<u>7,435,208</u>	<u>9,064,852</u>	<u>(1,629,644)</u>
Receipts over (under) expenditures	412,455	(204,982)		
Unencumbered cash, beginning	1,385,454	1,797,909		
Unencumbered cash, ending	<u>\$ 1,797,909</u>	<u>1,592,927</u>		
RECREATION FUND				
Receipts				
Tax in process	\$ 54,716	69,444	75,812	(6,368)
Current tax	966,624	1,030,849	995,388	35,461
Delinquent tax	24,475	27,573	21,959	5,614
Motor vehicle tax	145,607	132,805	152,417	(19,612)
	<u>1,191,422</u>	<u>1,260,671</u>	<u>1,245,576</u>	<u>15,095</u>
Expenditures				
Appropriations to the Recreation Commission				
Regular	976,300	1,031,300	1,031,300	-
Employee benefits	218,000	215,000	215,000	-
	<u>1,194,300</u>	<u>1,246,300</u>	<u>1,246,300</u>	<u>-</u>
Receipts over (under) expenditures	(2,878)	14,371		
Unencumbered cash, beginning	18,688	15,810		
Unencumbered cash, ending	<u>\$ 15,810</u>	<u>30,181</u>		

STATEMENT 3

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET *

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2012								
	Title I	Drug-Free Schools	EETT Enhancing Tech-Ed	Title II Quality & Technology	Title III Eng. Lang. Acquisition	HS Tech. Grant	After School Enhance.	Total	2011 Total
FEDERAL GRANT PROGRAMS									
Receipts									
Federal and state aid	\$ 791,404	-	331	114,726	18,751	20,194	11,053	956,459	1,281,206
Expenditures									
Instruction									
Salaries and benefits	671,416	-	-	107,163	16,272	-	10,276	805,127	857,247
Supplies, materials and other	67,574	60	-	-	-	16,631	777	85,042	109,527
Equipment	-	-	-	-	-	-	-	-	227,280
Other services	53,381	-	120	14,766	2,479	-	-	70,746	75,607
	<u>792,371</u>	<u>60</u>	<u>120</u>	<u>121,929</u>	<u>18,751</u>	<u>16,631</u>	<u>11,053</u>	<u>960,915</u>	<u>1,269,661</u>
Receipts over (under) expenditures	(967)	(60)	211	(7,203)	-	3,563	-	(4,456)	11,545
Unencumbered cash, beginning	<u>1,879</u>	<u>60</u>	<u>(211)</u>	<u>2,152</u>	<u>-</u>	<u>(3,563)</u>	<u>-</u>	<u>317</u>	<u>(11,228)</u>
Unencumbered cash, ending	<u>\$ 912</u>	<u>-</u>	<u>-</u>	<u>(5,051)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,139)</u>	<u>317</u>

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		
	2011 Actual	Actual	Budget	Variance - Over (Under)
BOND AND INTEREST FUND				
Receipts				
Taxes				
Tax in process	\$ 98,535	122,981	132,580	(9,599)
Current tax	1,689,744	1,734,467	1,674,988	59,479
Delinquent tax	41,665	47,866	38,387	9,479
Motor vehicle tax	260,936	236,522	270,936	(34,414)
State aid	1,576,347	1,617,396	1,617,396	-
Transfers from other funds	-	546,581	-	546,581
	<u>3,667,227</u>	<u>4,305,813</u>	<u>3,734,287</u>	<u>571,526</u>
Expenditures				
Debt service				
Principal	1,715,000	1,790,000	1,790,000	-
Interest	2,129,749	2,060,943	2,060,943	-
Other	-	-	500	(500)
	<u>3,844,749</u>	<u>3,850,943</u>	<u>3,851,443</u>	<u>(500)</u>
Receipts over (under) expenditures	(177,522)	454,870		
Unencumbered cash, beginning	<u>2,366,229</u>	<u>2,188,707</u>		
Unencumbered cash, ending	\$ 2,188,707	2,643,577		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

		2012		Variance -
	2011	Actual	Budget	Over
	Actual			(Under)
2007 IMPROVEMENT FUND				
Receipts				
Interest on investments	\$ 1,233	53		
Expenditures				
Facilities acquisition and construction	2,652,216	186,878		
Transfers to other funds	-	546,581		
	<u>2,652,216</u>	<u>733,459</u>		NOT APPLICABLE
Receipts over (under) expenditures	(2,650,983)	(733,406)		
Unencumbered cash, beginning	<u>3,384,389</u>	<u>733,406</u>		
Unencumbered cash, ending	<u>\$ 733,406</u>	<u>-</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

School Activity Funds

Year ended June 30, 2012

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Special Revenue Funds				
Activity Gate Receipts				
Newton High School	\$ 147,467	382,534	387,698	142,303
Totals to Statement 1	<u>\$ 147,467</u>	<u>382,534</u>	<u>387,698</u>	<u>142,303</u>
School Projects				
Newton High School	\$ 16,841	80,042	80,828	16,055
Chisholm Middle School	902	1,265	1,969	198
Santa Fe Middle School	<u>2,280</u>	<u>2,372</u>	<u>3,053</u>	<u>1,599</u>
Totals to Statement 1	<u>\$ 20,023</u>	<u>83,679</u>	<u>85,850</u>	<u>17,852</u>
Fiduciary Fund				
Student Organizations				
Newton High School	\$ 49,971	186,617	172,106	64,482
Chisholm Middle School	10,837	17,786	16,968	11,655
Santa Fe Middle School	<u>4,838</u>	<u>158</u>	<u>823</u>	<u>4,173</u>
Total cash basis activity	65,646	204,561	189,897	80,310
Adjustment for encumbrances	<u>(65,646)</u>	<u>-</u>	<u>14,664</u>	<u>(80,310)</u>
Totals to Statement 1	<u>\$ -</u>	<u>204,561</u>	<u>204,561</u>	<u>-</u>

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

Gift Fund

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Receipts		
Gifts and grants	\$ 213,056	208,900
Interest	<u>430</u>	<u>525</u>
	213,486	209,425
Expenditures	<u>253,776</u>	<u>200,472</u>
Receipts over (under) expenditures	(40,290)	8,953
Unencumbered cash, beginning	<u>350,098</u>	<u>341,145</u>
Unencumbered cash, ending	<u><u>\$ 309,808</u></u>	<u><u>350,098</u></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 373, Newton, Kansas, is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 373 (the primary government) as the only component unit.

In addition to the primary government, the Newton Recreation Commission, which operates recreational programs within the District, qualifies as a component unit of the District. However, its financial activity is not included in the accompanying financial statements.

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:

Governmental Funds

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

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

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

Capital Project Fund - to account for financial resources segregated for the acquisition of major capital facilities.

Fiduciary Funds

To account for assets held in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds.

Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

Departure from Generally Accepted Accounting Principles.

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. 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, capital lease obligations and compensated absences are not presented in the financial statements.

Activity Funds

Under provisions of K.S.A. 72-8208a, the Board of Education adopted a resolution relating to the school activity fund which results in the activity funds being accounted for under policies and procedures of the Board. In these financial statements, all school activity funds of the District are classified as special revenue and fiduciary funds.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. BUDGETARY INFORMATION (Continued)

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 District's 2012 budget was amended, increasing expenditures in the General, Virtual Education, and K-12 At Risk funds.

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district, and if this "legal max" budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. The District's general fund budget was reduced to \$21,032,166 as a result of this adjustment.

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.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as the purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

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

Federal government programs
Contingency reserve
School projects

Textbook and material revolving fund
School gate receipts

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

3. 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 have a main or branch bank in the county in which the District is located 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 investment policy that would further limit interest rate risk.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

3. 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.

As of June 30, 2012, the District's investments included the following:

<u>Investment type</u>	<u>Fair Value</u>	<u>Rating</u>
Bank time deposits	\$ 895,023	N/A
Kansas Municipal Investment Pool	6,109,935	S&P AAf/S1+
	<u>\$ 7,004,958</u>	

Concentration of Credit Risk

State statutes place no limits 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 not designated peak periods. All deposits were legally secured at June 30, 2012.

At June 30, 2012, the carrying amount of the District's deposits was \$3,364,658. The bank balance totaled \$4,355,920. Of the bank balance, \$699,095 was covered by FDIC insurance and \$3,656,825 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Government 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.

At June 30, 2012, the District had invested \$6,109,935 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The Board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

3. DEPOSITS AND INVESTMENTS (Continued)

Composition of Cash and Investment Balance

Board Funds

Checking accounts	\$ 2,271,045	
Time deposits	870,023	
Municipal investment pool	<u>6,109,935</u>	9,251,003

Activity Funds

Checking accounts		198,590
Time deposits		<u>25,000</u>
		<u>\$ 9,474,593</u>

4. 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 S. Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4 to 6% 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. For the year ended June 30, 2012, Kansas contributed 9.17% of covered payroll. Beginning July 1, 2011, the State contribution rate increased to 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.

5. COMPENSATED ABSENCES

Sick Leave

Classified employees on a 12-month contract who work at least 20 hours per week are credited with 9 days of sick leave after 60 days of continuous service. After the initial 60 day period, classified employees accrue sick leave monthly and may accumulate 130 days of total compensated leave.

Unified School District No. 373

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

5. COMPENSATED ABSENCES (Continued)

Certified teaching staff is credited with 16 days of temporary chargeable leave (due to illness, bereavement, etc.) on the first day of their employment with the District. After the first year, the teacher receives 11 days additional leave per year which may be accumulated to 120 days.

No compensation is paid for unused leave upon termination. The estimated liability for accrued leave has not been recorded in the financial statements.

Vacations

Classified 12-month employees who work at least 20 hours per week receive 10 days of paid vacation per year during the first 5 years of service. The employee is credited with 5 days of paid vacation after the completion of 6 months of service, then accrued 10/12 of a day's vacation for each month worked. After 5 years of service, the 12-month employee is credited with 5 additional days per year. Vacation time credited to an employee at July 1 of any year must be used by June 30 of the following year.

The estimated liability for accrued vacations has not been recorded in the financial statements.

6. GENERAL 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>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 06/30/11</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 06/30/12</u>	<u>Interest Paid</u>
General Obligation Bonds									
1998 Refunding & Improvement	3.03 - 5.00%	11/01/1998	\$ 16,560,000	9/1/2018	\$ 8,325,000	-	1,080,000	7,245,000	380,305
2003 Refunding	2.00 - 3.40%	07/01/2003	8,005,000	9/1/2016	4,690,000	-	700,000	3,990,000	137,438
2007 Refunding & Improvement	4.00 - 5.00%	12/01/2007	31,855,000	9/1/2026	31,805,000	-	10,000	31,795,000	1,543,200
					<u>\$ 44,820,000</u>	<u>-</u>	<u>1,790,000</u>	<u>43,030,000</u>	<u>2,060,943</u>

Current maturities of long-term debt and interest through maturity are as follows:

	Year ending June 30							Total
	2013	2014	2015	2016	2017	2018-2022	2023-2027	
Principal								
General Obligation Bonds	\$ 1,875,000	1,970,000	2,080,000	2,220,000	2,395,000	15,030,000	17,460,000	43,030,000
Interest								
General Obligation Bonds	<u>1,987,186</u>	<u>1,908,619</u>	<u>1,823,586</u>	<u>1,730,862</u>	<u>1,630,295</u>	<u>6,301,890</u>	<u>1,923,000</u>	<u>17,305,438</u>
Total principal and interest	<u>\$ 3,862,186</u>	<u>3,878,619</u>	<u>3,903,586</u>	<u>3,950,862</u>	<u>4,025,295</u>	<u>21,331,890</u>	<u>19,383,000</u>	<u>60,335,438</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

7. PRIOR PERIOD ADJUSTMENT – STATE AID REVENUE RECOGNITION

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require, for budget purposes, that the District record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. For years ending prior to June 30, 2012, these July payments were recognized for financial statement reporting in the following year, when the cash payments were received. This policy was based on guidance from the Kansas Municipal Audit Guide (KMAG).

The proposed 2013 Kansas Municipal Audit and Accounting Guide (KMAAG) considers these payments received subsequent to year-end to be a “receipt in transit”, and therefore should be recognized as a cash receipt and state aid revenue in the fiscal year that matches the budget to which it applies. The District has implemented this change for the year ended June 30, 2012, as allowed by KMAG Technical Amendment 2011-1. Accordingly, the beginning fund equity at July 1, 2010 and 2011; as well as state aid revenue in the General and Supplemental General funds for the year ended June 30, 2011, have been restated to reflect this change in accounting policy.

The following schedule summarizes these changes to fund equity at July 1, 2010 and 2011:

	<u>General</u>	<u>Supplemental General</u>
Unencumbered Cash, July 1, 2010		
As originally reported	\$ (1,506,232)	(457,887)
July 2010 payment previously reported as revenue for the year ended June 30, 2011	<u>1,509,319</u>	<u>545,554</u>
As restated	<u>\$ 3,087</u>	<u>87,667</u>
Unencumbered Cash, July 1, 2011		
As originally reported	\$ (1,666,888)	(564,047)
July 2011 payment previously reported as revenue for the year ended June 30, 2012	<u>1,671,246</u>	<u>636,587</u>
As restated	<u>\$ 4,358</u>	<u>72,540</u>

8. CAPITAL PROJECTS

Capital improvement authorizations compared to actual expenditures through June 30, 2012, were as follows:

	<u>Expenditures to Date</u>	<u>Authorized Expenditures</u>	<u>Expenditures Over (Under) Authorization</u>
School Building Additions and Remodeling	<u>\$ 29,973,503</u>	<u>29,910,000</u>	<u>63,503</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

9. INTERFUND TRANSACTIONS

Operating transfers were as follows:

Transfer To	Transfer From					Total
	General	Supplemental General	Special Education	Contingency Reserve	2007 Improvement	
General	\$ -	-	-	300,000	-	300,000
Adult basic education	-	19,250	-	-	-	19,250
At risk (4 year old)	146,200	-	-	-	-	146,200
At risk (K-12)	1,515,325	1,050,370	-	-	-	2,565,695
Bilingual education	497,056	-	-	-	-	497,056
Virtual education	207,900	-	-	-	-	207,900
Capital outlay	297,000	-	-	-	-	297,000
Professional development	-	90,000	-	-	-	90,000
Parent education	31,000	-	-	-	-	31,000
Summer school	3,600	-	-	-	-	3,600
Special education	3,000,757	1,294,700	-	-	-	4,295,457
Vocational education	277,830	808,420	-	-	-	1,086,250
Contingency reserve	300,000	-	-	-	-	300,000
Textbook and material revolving	-	191,658	-	-	-	191,658
CO-OP special education	-	-	4,035,424	-	-	4,035,424
Bond and interest	-	-	-	-	546,581	546,581
	<u>\$ 6,276,668</u>	<u>3,454,398</u>	<u>4,035,424</u>	<u>300,000</u>	<u>546,581</u>	<u>14,613,071</u>

10. TERMINATION BENEFITS

Early Retirement Pension Plan - The District provides an early retirement program for certain eligible employees. The plan defines those eligible as employees who are "currently employed in licensed employment or administrative employment with the District". Eligible retirees under this program may receive benefits for up to 12 years. Payments to retired employees under this plan for the years ended June 30, 2012 and 2011, were \$557,344 and \$580,913 respectively.

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 local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

12. COMMITMENTS AND CONTINGENCIES

Lease Obligation, Educational Facilities - On January 1, 2007, the District entered into an agreement with Axtell Education Building, LLC (Lessor) to lease facilities for classroom instruction. Under terms of the agreement, the District is required to make monthly rental payments to the Lessor of \$15,833.33 for the 120 month initial lease term, which ends June 30, 2018. The lease agreement provides the District the option to extend the lease for 3 additional terms of 10 years.

The District has agreed to sublease a portion of the facility to Hutchinson Community College and Area Vocational School (Subtenant) in exchange for reimbursement to the District for a portion of the monthly rent. For the year ended June 30, 2012, the Subtenant reimbursed the District \$142,500 under the terms of the agreement. The sublease has been amended to provide for annually negotiated reimbursements from the Subtenant in subsequent years. For the year ended June 30, 2013, the reimbursement from the Subtenant will total \$152,000.

Federal Grants - In the normal course of operations, the District receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

SINGLE AUDIT SECTION

Knudsen Monroe & Company LLC

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. 373
Newton, Kansas 67114

We have audited the financial statements of Unified School District No. 373, Newton, Kansas, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The auditor's report on the financial statements disclosed that, as described in Note 1, Unified School District No. 373 prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Management of Unified School District No. 373 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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*.

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

Krueger, Moore & Company, LLC

Certified Public Accountants

December 5, 2012

Knudsen Monroe & Company LLC

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. 373
Newton, Kansas 67114

Compliance

We have audited Unified School District No. 373, Newton, Kansas'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 the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditor's report on the financial statements disclosed that, as described in Note 1, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, the District 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 the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the 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.

Internal Control Over Compliance (Continued)

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 in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Krueger, Monroe & Company, LLC

Certified Public Accountants

December 5, 2012

Unified School District No. 373

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2012

<u>Federal Granting Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Grantor's Identifying Number</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Board of Education:				
School Breakfast Program	10.553		\$ 188,076	188,076
National School Lunch Program	10.555		826,130	826,130
Summer Food Service Program	10.559		20,401	20,401
Federal School Food Service	10.560		100	100
Team Nutrition Grant	10.574		2,620	2,620
Total Department of Agriculture			<u>1,037,327</u>	<u>1,037,327</u>
<u>U.S. Environmental Protection Agency</u>				
Passed through State Department of Health & Environment:				
ARRA - State Clean Diesel Grant Program	66.040		-	<u>30,589</u>
<u>U.S. Department of Education</u>				
Direct Funding:				
Funds for Improvement of Education				
2010 Technology	84.215K	U215K100057	20,194	16,631
Passed through State Board of Education:				
ARRA - Education Jobs Fund	84.410		9,473	9,473
Title I, Grants to LEA's	84.010		788,938	789,590
ARRA - Title I, Grants to LEA's	84.389		2,466	2,781
Special Education				
Grants to States, State Flow Through	84.027		1,041,650	1,041,650
Grants to States, Incentive Grant	84.027		39,845	39,845
Preschool Grants, State Flow Through	84.173		34,115	34,115
Career and Technical Education - Grants to States	84.048		29,110	29,110
Safe and Drug-Free Schools and Communities	84.186		-	60
Improving Teacher Quality	84.367		114,726	121,929
Education Technology	84.318		331	120
English Language Acquisition	84.365		18,751	18,751
State Assessment Grant	84.369		447	447
Passed through State Department of Health & Environment:				
Grants for Infant & Families	84.181		77,831	77,831
Total Department of Education			<u>2,177,877</u>	<u>2,182,333</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 3,215,204</u></u>	<u><u>3,250,249</u></u>

Note 1--Basis of Presentation

The accompanying schedule of expenditures of federal awards of Unified School District No. 373, Newton, Kansas is presented on the statutory basis of accounting as described in note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report on the financial statements disclosed that, as described in Note 1, Unified School District No. 373 prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. An unqualified opinion was expressed on the financial statements under this comprehensive basis of accounting.
2. No instances of noncompliance material to the financial statements of Unified School District No. 373 were disclosed during the audit.
3. The auditor's report on compliance for the major federal award programs for Unified School District No. 373 expressed an unqualified opinion.
4. Audit findings relative to the major federal award programs for Unified School District No. 373 are reported in Part C of the schedule.
5. The programs tested as major programs include:
 Department of Agriculture – Child Nutrition Cluster (10.553, 10.555, 10.559)
 Department of Education – Title I Cluster (84.010, 84.389)
6. The threshold for distinguishing Type A and B programs was \$300,000.
7. Unified School District No. 373 was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None

Unified School District No. 373

SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2012

None