

EFFINGHAM UNIFIED SCHOOL DISTRICT NO. 377
Effingham, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS
For the year ended June 30, 2012

And

INDEPENDENT AUDITORS' REPORTS

Long CPA, PA
A Professional Association
Certified Public Accountants

UNIFIED SCHOOL DISTRICT NO. 377

Effingham, Kansas

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Board of Education
Unified School District No. 377
Effingham, Kansas 66023

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

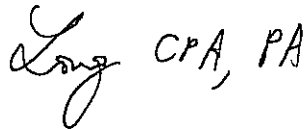
We have audited the financial statements of the individual funds of Unified School District No. 377, Effingham, Kansas, as of and for the year ended June 30 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 1, Unified School District No. 377 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 reasonable determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 377 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 the Unified School District No. 377, as of June 30, 2012, and its cash receipts and expenditures, budgetary comparisons, and changes in long-term debt and long-term debt maturities for the year then ended, on the basis of accounting described in Note 1.

A handwritten signature in black ink that reads "Long CPA, PA". The signature is written in a cursive, flowing style.

Long CPA, PA
A Professional Association
Certified Public Accountant

October 14, 2012

USD #377 EFFINGHAM, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Funds							
General	\$ (365,890)	\$ 0	\$ 5,354,929	\$ 5,346,512	\$ (357,473)	\$ 50,571	\$ (306,902)
Supplemental General	128,425	0	1,687,571	1,704,802	111,194	153,505	264,699
Special Revenue Funds							
Vocational Education	55,994	0	142,903	146,470	52,427	3,701	56,128
Special Education	319,861	0	1,263,980	1,281,341	302,500	948	303,448
Driver Education	12,905	0	7,958	6,544	14,319	1,885	16,204
Food Service	157,718	0	419,923	434,931	142,710	1,138	143,848
Capital Outlay	798,188	0	238,217	86,144	950,261	0	950,261
Gifts and Grants	13,160	0	5,882	6,866	12,176	49	12,225
Professional Development	15,389	0	12,170	12,710	14,849	50	14,899
Summer School	1,607	0	0	1,607	0	0	0
KPERS Special Contribution	0	0	389,641	389,641	0	0	0
At Risk (K-12)	46,500	0	386,694	433,194	0	3,694	3,694
At Risk (4 year old)	0	0	26,460	26,460	(0)	60	60
Bilingual Education	1	0	1,000	646	355	355	355
District Activity Funds	31,092	0	98,048	99,301	29,839	0	29,839
Textbook Rental Fund	42,668	0	41,115	13,524	70,259	3,358	73,617
Contingency Reserve Fund	523,214	0	162,081	195,472	489,823	0	489,823
Title I	0	0	120,827	120,827	0	1,155	1,155
Title IV Drug Free	0	0	0	0	0	0	0
A.J. Rice Memorial	103	0	55	158	0	0	0
Title IIA - Teacher Quality	0	0	51,329	51,329	0	3,524	3,524
Character Education Grant	0	499	3,192	98	3,593	0	3,593
Serve America School Based	884	0	0	353	531	0	531
Title IID	0	103	0	103	0	103	103
Debt Service Funds							
Bond and Interest Fund	88,810	0	0	0	88,810	0	88,810
Total Reporting Entity	\$ 1,870,629	\$ 602	\$ 10,413,975	\$ 10,359,034	\$ 1,926,172	\$ 223,741	\$ 2,149,913
Composition of Cash							
Checking Accounts							\$ 171,489
Savings Accounts							-
Municipal Investment Pool							1,053,492
Certificates of Deposit							1,000,000
Total Cash							2,224,981
Agency Funds per Statement 4							75,068
Total Reporting Entity							\$ 2,149,913

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

USD #377 EFFINGHAM, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2012

Funds	Certified Budget	Adjustments to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Favorable (Unfavorable)
Governmental Type Funds						
General Funds						
General	\$ 5,406,578	\$ (176,148)	\$ 116,082	\$ 5,346,512	\$ 5,346,512	\$ (0)
Supplemental General	1,643,493	(61,309)	0	1,704,802	1,704,802	0
Special Revenue Funds						
Vocational Education	190,000	0	0	190,000	146,470	43,530
Special Education	1,347,000	0	0	1,347,000	1,281,341	65,659
Driver Training	12,000	0	0	12,000	6,544	5,456
Food Service	530,000	0	0	530,000	434,931	95,069
Capital Outlay	800,000	0	0	800,000	86,144	713,856
Gifts and Grants	25,000	0	0	25,000	6,866	18,134
Professional Development	18,000	0	0	18,000	12,710	5,290
Summer School	1,607	0	0	1,607	1,607	0
KPERS Special Contribution	438,418	0	0	438,418	389,641	48,777
At-Risk Fund (K-12)	559,446	0	0	559,446	433,194	126,252
At-Risk Fund (4 year old)	34,020	0	0	34,020	26,460	7,560
Bilingual Education	2,269	0	0	2,269	646	1,623
Debt Service Funds						
Bond and Interest	88,810	0	0	88,810	0	88,810

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

USD #377 EFFINGHAM, KS
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 701,282	\$ 675,267	\$ 26,015
Delinquent tax	8,222	3,654	4,568
Motor vehicle tax	0		0
RV tax	0		0
16/20 Trucks tax	0		0
Federal grants	2,288	0	2,288
State aid/grants	4,332,341	4,532,943	(200,602)
Charges for services	0		0
Interest income	0		0
Miscellaneous revenues	116,082		116,082
Operating transfers	194,714		194,714
	<u>5,354,929</u>	<u>5,211,864</u>	<u>143,065</u>
EXPENDITURES			
Instruction	2,122,015	2,253,165	131,150
Student support services	194,417	195,775	1,358
Instruction support staff	124,862	146,470	21,608
General administration	204,322	214,314	9,992
School administration	383,794	332,960	(50,834)
Operations and maintenance	254,327	305,150	50,823
Student transportation services	305,508	367,350	61,842
Central support services			0
Other support services	101,132	107,750	6,618
Food service operations			0
Student activities	1,057		(1,057)
Facility acquisition and construction services			0
Debt service			0
Operating transfers	1,655,078	1,483,644	(171,434)
Adjustment to comply with legal max		(176,148)	(176,148)
Adjustment for qualifying budget credits		116,082	116,082
	<u>5,346,512</u>	<u>\$ 5,346,512</u>	<u>\$ (0)</u>
Total Expenditures			
	<u>5,346,512</u>	<u>\$ 5,346,512</u>	<u>\$ (0)</u>
Receipts Over (Under) Expenditures	8,417		
Unencumbered Cash, Beginning	(365,890)		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>(357,473)</u>		

See Note 9 (Cash Basis Exception)

See Note 10 (Statutory Presentaion)

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

USD #377 EFFINGHAM, KS
SUPPLEMENTAL GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012

	Actual	Budget	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 892,704	\$ 937,391	(44,687)
Delinquent tax	13,372	4,637	8,735
Motor vehicle tax	137,001	157,490	(20,489)
RV tax	2,156	2,043	113
16/20 Trucks tax	25,250		25,250
Federal grants	0		0
State aid/grants	617,088	612,148	4,940
Charges for services	0		0
Interest income	0		0
Miscellaneous revenues	0		0
Operating transfers	0		0
Total Cash Receipts	<u>1,687,571</u>	<u>1,713,709</u>	<u>(26,138)</u>
EXPENDITURES			
Instruction	372,481	291,653	(80,828)
Student support services	0	5,000	5,000
Instruction support staff		0	0
General administration	16,062	27,000	10,938
School administration	4,277	5,500	1,223
Operations and maintenance	555,166	573,958	18,792
Student transportation services	241,816	188,000	(53,816)
Central support services			0
Other support services		0	0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	515,000	675,000	160,000
Adjustment to comply with legal max		(61,309)	(61,309)
Adjustment for qualifying budget credits			0
Total Expenditures	<u>1,704,802</u>	<u>\$ 1,704,802</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	(17,231)		
Unencumbered Cash, Beginning	128,425		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	<u>\$ 111,194</u>		

See Note 9 (Cash Basis Exception)

See Note 10 (Statutory Presentaion)

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

USD #377 EFFINGHAM, KS
 VOCATIONAL EDUCATION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants	488		488
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	2,415		2,415
Operating transfers	<u>140,000</u>	<u>180,000</u>	<u>(40,000)</u>
Total Cash Receipts	<u>142,903</u>	<u>180,000</u>	<u>(37,097)</u>
EXPENDITURES			
Instruction	146,470	190,000	43,530
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>146,470</u>	<u>\$ 190,000</u>	<u>\$ 43,530</u>
Receipts Over (Under) Expenditures	(3,567)		
Unencumbered Cash, Beginning	55,994		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 52,427</u>		

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

USD #377 EFFINGHAM, KS
SPECIAL EDUCATION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services	15,137		15,137
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>1,248,843</u>	<u>1,324,410</u>	<u>(75,567)</u>
Total Cash Receipts	<u>1,263,980</u>	<u>1,324,410</u>	<u>(60,430)</u>
EXPENDITURES			
Instruction	1,230,349	1,277,371	47,022
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services	50,992	69,629	18,637
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>1,281,341</u>	<u>\$ 1,347,000</u>	<u>\$ 65,659</u>
Receipts Over (Under) Expenditures	(17,361)		
Unencumbered Cash, Beginning	319,861		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>302,500</u>		

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

USD #377 EFFINGHAM, KS
 DRIVER TRAINING FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	3,008	2,960	48
Charges for services	4,950	5,000	(50)
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>7,958</u>	<u>7,960</u>	<u>(2)</u>
EXPENDITURES			
Instruction	5,839	10,900	5,061
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	705	1,100	395
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>6,544</u>	<u>\$ 12,000</u>	<u>\$ 5,456</u>
Total Expenditures			
	<u>6,544</u>	<u>\$ 12,000</u>	<u>\$ 5,456</u>
Receipts Over (Under) Expenditures	1,414		
Unencumbered Cash, Beginning	12,905		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 14,319</u>		

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

USD #377 EFFINGHAM, KS
 FOOD SERVICE FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants	215,184	186,152	29,032
State aid/grants	3,619	3,006	613
Charges for services	157,647	150,779	6,868
Interest income	473	600	(127)
Miscellaneous revenues		10,746	(10,746)
Operating transfers	<u>43,000</u>	<u>100,000</u>	<u>(57,000)</u>
Total Cash Receipts	<u>419,923</u>	<u>451,283</u>	<u>(31,360)</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations	434,931	530,000	95,069
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>434,931</u>	<u>\$ 530,000</u>	<u>\$ 95,069</u>
Receipts Over (Under) Expenditures	(15,008)		
Unencumbered Cash, Beginning	157,718		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 142,710</u>		

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

USD #377 EFFINGHAM, KS
CAPITAL OUTLAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income	8,228	11,000	(2,772)
Miscellaneous revenues	79,989	88,100	(8,111)
Operating transfers	<u>150,000</u>		<u>150,000</u>
 Total Cash Receipts	 <u>238,217</u>	 <u>99,100</u>	 <u>139,117</u>
 EXPENDITURES			
Instruction	21,860	40,000	18,140
Student support services		5,000	5,000
Instruction support staff		5,000	5,000
General administration	5,545	2,000	(3,545)
School administration	305	2,500	2,195
Operations and maintenance	4,176	15,000	10,824
Student transportation services	32,034	175,000	142,966
Central support services		2,500	2,500
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services	22,224	553,000	530,776
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
 Total Expenditures	 <u>86,144</u>	 <u>\$ 800,000</u>	 <u>\$ 713,856</u>
 Receipts Over (Under) Expenditures	 152,073		
Unencumbered Cash, Beginning	798,188		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ 950,261</u>		

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

USD #377 EFFINGHAM, KS
GIFTS AND GRANTS FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	5,882	11,840	(5,958)
Operating transfers			0
	<u>5,882</u>	<u>11,840</u>	<u>(5,958)</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	6,866	25,000	18,134
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>6,866</u>	<u>25,000</u>	<u>18,134</u>
Total Expenditures			
Receipts Over (Under) Expenditures	(984)		
Unencumbered Cash, Beginning	13,160		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>12,176</u>		

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

USD #377 EFFINGHAM, KS
PROFESSIONAL DEVELOPMENT FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	170		170
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>12,000</u>	<u>5,000</u>	<u>7,000</u>
Total Cash Receipts	<u>12,170</u>	<u>5,000</u>	<u>7,170</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff	12,710	18,000	5,290
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>12,710</u>	<u>\$ 18,000</u>	<u>\$ 5,290</u>
Receipts Over (Under) Expenditures	(540)		
Unencumbered Cash, Beginning	15,389		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 14,849</u>		

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

USD #377 EFFINGHAM, KS
 SUMMER SCHOOL FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	1,607	1,607	0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Community support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>1,607</u>	<u>1,607</u>	<u>0</u>
Total Expenditures			
Receipts Over (Under) Expenditures	(1,607)		
Unencumbered Cash, Beginning	1,607		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

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

USD #377 EFFINGHAM, KS
 KPERS SPECIAL RETIREMENT CONTRIBUTION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	389,641	428,418	(38,777)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>389,641</u>	<u>428,418</u>	<u>(38,777)</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	232,995	282,841	49,846
Student support services	11,677	17,620	5,943
Instruction support staff	11,267	15,439	4,172
General administration	18,315	15,259	(3,056)
School administration	37,995	27,555	(10,440)
Operations and maintenance	28,422	24,447	(3,975)
Student transportation services	24,860	27,398	2,538
Central support services			0
Other support services	9,187	2,685	(6,502)
Food service operations	14,923	15,174	251
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>389,641</u>	<u>\$ 428,418</u>	<u>\$ 38,777</u>
Total Expenditures			
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

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

USD #377 EFFINGHAM, KS
 AT RISK FUND (K-12) FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>386,694</u>	<u>512,946</u>	<u>(126,252)</u>
Total Cash Receipts	<u>386,694</u>	<u>512,946</u>	<u>(126,252)</u>
EXPENDITURES			
Instruction	354,536	478,146	123,610
Student support services	32,158	34,800	2,642
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	46,500	46,500	0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>433,194</u>	<u>\$ 559,446</u>	<u>\$ 126,252</u>
Receipts Over (Under) Expenditures	(46,500)		
Unencumbered Cash, Beginning	46,500		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>		

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

USD #377 EFFINGHAM, KS
 AT-RISK (4 YEAR OLD) FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>26,460</u>	<u>34,020</u>	<u>(7,560)</u>
Total Cash Receipts	<u>26,460</u>	<u>34,020</u>	<u>(7,560)</u>
EXPENDITURES			
Instruction	25,793	32,785	6,992
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services	667	1,235	568
Community support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>26,460</u>	<u>\$ 34,020</u>	<u>\$ 7,560</u>
Receipts Over (Under) Expenditures	(0)		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ (0)</u>		

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

USD #377 EFFINGHAM, KS
 BILINGUAL EDUCATION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>1,000</u>	<u>2,268</u>	<u>(1,268)</u>
Total Cash Receipts	<u>1,000</u>	<u>2,268</u>	<u>(1,268)</u>
EXPENDITURES			
Instruction	646	2,269	1,623
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Community support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>646</u>	<u>\$ 2,269</u>	<u>\$ 1,623</u>
Receipts Over (Under) Expenditures	354		
Unencumbered Cash, Beginning	1		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 355</u>		

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

USD #377 EFFINGHAM, KS
 BOND AND INTEREST FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Receipts			
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service		88,810	88,810
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>0</u>	<u>88,810</u>	<u>88,810</u>
Total Expenditures			
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	88,810		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>88,810</u>		

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

USD #377 EFFINGHAM, KS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012

	<u>Textbook Rental</u>	<u>Contingency Reserve</u>	<u>Title I</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Mineral production tax			
Federal grants			120,827
State aid/grants			
Charges for services	37,836		
Interest income			
Miscellaneous revenues	3,279		
Operating transfers		162,081	
Total Cash Receipts	<u>41,115</u>	<u>162,081</u>	<u>120,827</u>
EXPENDITURES			
Instruction	13,524	40,207	113,516
Student support services		1,722	
Instruction support staff			
General administration		646	
School administration		1,615	4,775
Operations and maintenance		2,422	
Student transportation services			1,552
Central support services			
Other support services		646	
Food service operations			984
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers		148,214	
Adjustment for qualifying budget credits			
Total Expenditures	<u>13,524</u>	<u>195,472</u>	<u>120,827</u>
Receipts Over (Under) Expenditures	27,591	(33,391)	0
Unencumbered Cash, Beginning	42,668	523,214	0
Prior Year Cancelled Encumbrances	0	0	0
Unencumbered Cash, Ending	<u>\$ 70,259</u>	<u>\$ 489,823</u>	<u>\$ 0</u>

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

USD #377 EFFINGHAM, KS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012

	<u>Title IV Drug Free</u>	<u>A. J. Rice Memorial</u>	<u>Title IIA</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Mineral production tax			
Federal grants			48,970
State aid/grants			
Charges for services			
Interest income		55	2,359
Miscellaneous revenues			
Operating transfers			
	<u>0</u>	<u>55</u>	<u>51,329</u>
EXPENDITURES			
Instruction		158	51,329
Student support services			
Instruction support staff			
General administration			
School administration			
Operations and maintenance			
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
	<u>0</u>	<u>158</u>	<u>51,329</u>
Receipts Over (Under) Expenditures	0	(103)	0
Unencumbered Cash, Beginning	0	103	0
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

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

USD #377 EFFINGHAM, KS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012

	<u>Character Education Grant</u>	<u>Serve America School Based</u>	<u>Title IID</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Mineral production tax			
Federal grants			
State aid/grants	3,192		
Charges for services			
Interest income			
Miscellaneous revenues			
Operating transfers			
	<u> </u>	<u> </u>	<u> </u>
Total Cash Receipts	<u>3,192</u>	<u>0</u>	<u>0</u>
EXPENDITURES			
Instruction	98	353	103
Student support services			
Instruction support staff			
General administration			
School administration			
Operations and maintenance			
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>98</u>	<u>353</u>	<u>103</u>
Receipts Over (Under) Expenditures	3,094	(353)	(103)
Unencumbered Cash, Beginning	0	884	0
Prior Year Cancelled Encumbrances	<u>499</u>	<u>0</u>	<u>103</u>
Unencumbered Cash, Ending	\$ <u><u>3,593</u></u>	\$ <u><u>531</u></u>	\$ <u><u>0</u></u>

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

USD #377 EFFINGHAM, KS
 AGENCY FUNDS
 Statement of Cash Receipts and Cash Disbursements
 For the Year Ended June 30, 2012

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Scholarships	\$ 0	\$ -	\$ -	\$ 0
Payroll Liabilities	9,785	923,582	892,653	40,714
High School				
Forensics	445	1,189	589	1,045
Drama	2,806	4,677	5,344	2,139
Soundmasters	7,650	22,014	19,834	9,830
Band - HS	1,119	2,371	2,175	1,315
Band - JH	0			0
Cheerleaders - HS	215	2,099	2,278	36
Cheerleaders - JH	866	4,258	2,818	2,306
Drill Team	107	2,252	1,362	997
Stuco - HS	1,576	7,404	7,255	1,725
Stuco - JH	2,069	1,602	2,025	1,646
FOR	106			106
Kays	342	948	760	530
FFA	8,231	25,197	23,715	9,713
Letterclub	447		447	0
FBLA	174		174	0
National Art Honor Society	154			154
National Honor Society	569	1,841	2,052	358
Science Club	22	466	256	232
Math Club	80	790	686	184
Young Adult Library Board	999		59	940
Scholar Bowl	121			121
Seniors	0	3,885	3,885	0
Juniors	2,503	10,854	12,380	977
Total	\$ <u>40,386</u>	\$ <u>1,015,429</u>	\$ <u>980,747</u>	\$ <u>75,068</u>

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

USD #377 EFFINGHAM, KS
DISTRICT ACTIVITY FUNDS
Statement of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts							
Middle school							
Gate receipts	\$ 0	\$			\$ 0	\$	-
High School							
Athletics-HS	0		10,279	9,752	527		527
Athletics-JH	3,200			3,200	0		-
Football	69		3,948	1,328	2,689		2,689
Basketball-HS Girls	4		1,399	1,342	61		61
Basketball-HS Boys	0		8,861	8,861	0		-
Baseball	238		4,341	2,052	2,527		2,527
Wrestlers	2,505		2,423	2,824	2,104		2,104
Subtotal Gate Receipts	6,016	0	31,251	29,359	7,908	0	7,908
School Projects							
Intermediate and Elementary School							
Activity accounts	9,723		3,018	3,089	9,652		9,652
Accelerated reader	2,805				2,805		2,805
Book fair	3,962		3,076	3,076	3,962		3,962
Lost books	390		20	143	267		267
Rachel's challenge	40				40		40
Sports - Sloop	7				7		7
Cook's account	501		1,537	782	1,256		1,256
High School							
Activities	4,536		47,169	49,850	1,855		1,855
Recycling project	0		61	35	26		26
Activity fundraiser	0				0		-
Yearbook - HS	2,580		11,721	12,767	1,534		1,534
Library book replacement	491		50	200	341		341
Interest	41		145		186		186
Subtotal School Projects	25,076	0	66,797	69,942	21,931	0	21,931
Total District Activity Funds	\$ 31,092	\$ 0	\$ 98,048	\$ 99,301	\$ 29,839	\$ 0	\$ 29,839

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

UNIFIED SCHOOL DISTRICT NO. 377
Effingham, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

USD No.377 is a municipal corporation governed by an elected seven member board. The district as an entity has been defined to include, on a combined basis, (a) USD No. 377 (b) organizations for which USD No. 377 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with USD No. 377 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the District's report.

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 2012:

Governmental Funds

General Fund – To account for the 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 be expended for specified purposes.

Fiduciary Funds

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

UNIFIED SCHOOL DISTRICT NO. 377
Effingham, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

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

Departure from Generally Accepted Accounting Principles (GAAP)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursement, 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 revenues and matured principle and interest payable, and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with United States generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

UNIFIED SCHOOL DISTRICT NO. 377
Effingham, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Reimbursed Expenses

Expenditures in the amount of \$ 116,082 are classified as reimbursed expenses in the General Fund. The purpose of these expenditures is payment for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934.

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues 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 2012.

UNIFIED SCHOOL DISTRICT NO. 377
Effingham, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

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

All legal annual operating budgets are prepared using the 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 city for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds and trust funds and the following special revenue funds:

Title IID Fund	Title IIA Fund
Title IV Fund – Drug Free	Contingency Reserve Fund
District Activity Funds	A.J Rice Memorial Fund
Title I Fund	Serve America School Based
Textbook Rental Fund	Character Education Grant

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.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

UNIFIED SCHOOL DISTRICT NO. 377
Effingham, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located 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.

K.S.A. 12-1675 limits the district's investments 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. The district had no investments during 2012.

	Risk Category			Carrying	Market
	1	2	3	Amount	Value
Investments	-0-	-0-	-0-	-0-	-0-
State Treasurers Investment Pool				<u>\$ 1,053,492</u>	<u>\$ 1,053,492</u>

Concentration of Credit Risk

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

UNIFIED SCHOOL DISTRICT NO. 377
Effingham, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (continued)

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%. All deposits were legally secured at June 30, 2012.

At June 30, 2012, the government's carrying amount of deposits was \$ 2,149,913 and the bank balance was \$ 1,802,246. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$ 517,986 was covered by federal depository insurance and the balance 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.

NOTE 3 – Defined Benefit Pension Plan

Plan Description – USD No. 377 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; Topeka, KS 66603) or by calling 1-888-275-5737.

UNIFIED SCHOOL DISTRICT NO. 377
Effingham, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

Funding Policy – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depending on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414 (h) of the Internal Revenue Code.

The State of Kansas is required to contribute the statutory required employers share.

NOTE 4 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the county carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 5 – Compliance with Kansas Statutes

We noted no violations of Kansas Statutes during the period under examination.

NOTE 6 – Compensated Absences

Vacation leave is available to all 12 month employees of the district and accrues at the rate of 10 days per year. The district has sick leave available for all employees. Employees working in excess of 30 hours per week accrue 10 days of sick leave per year, can accumulate up to 60 days, and are paid annually for any excess over 50 hours. Employees working less than 30 hours per week accrue five days sick leave per year, can accumulate up to 30 days, and are paid annually for any excess over 25 hours. No payment is received by terminating employees with unused vacation or sick leave.

UNIFIED SCHOOL DISTRICT NO. 377
Effingham, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Interfund Transactions

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Contingency Reserve Fund	K.S.A. 72-6428	\$ 162,081
General Fund	Special Education Fund	K.S.A. 72-6428	928,843
General Fund	Capital Outlay Fund	K.S.A. 72-6428	150,000
General Fund	At Risk (K-12) Fund	K.S.A. 72-6428	386,694
General Fund	At Risk (4 year old) Fund	K.S.A. 72-6428	26,460
General Fund	Bilingual Education Fund	K.S.A. 72-6428	1,000
Supplemental General Fund	Professional Develop Fund	K.S.A. 72-6425	12,000
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6425	140,000
Supplemental General Fund	Special Education Fund	K.S.A. 72-6425	320,000
Supplemental General Fund	Food Service Fund	K.S.A. 72-6425	43,000
At Risk (K-12) Fund	General Fund	K.S.A. 72-6428	46,500
Contingency Reserve Fund	General Fund	K.S.A. 72-6428	148,214

NOTE 8 – Other Post Employment Benefits

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

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

NOTE 9 – Cash Basis Exception

The State of Kansas statutes exempt all funds from a cash basis violation if the violation was as result of delayed payment by the state.

UNIFIED SCHOOL DISTRICT NO. 377
Effingham, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – Compliance with K.S.A. 72-6417 (d) and K.S.A. 72-6434 (d)

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

NOTE 11 – Contingency

The District receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such disallowances, if any, will not be significant to the District's financial statements.

NOTE 12 – Subsequent Events

Subsequent events for management's review have been evaluated through October 14, 2012. The date in the prior sentence is the date the financial statements were available to be issued.

Note 10

USD #377 EFFINGHAM, KS
GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 701,282	\$ 675,267	\$ 26,015
Delinquent tax	8,222	3,654	4,568
Motor vehicle tax			0
RV tax			0
16/20 Trucks tax			0
Federal grants	2,288		2,288
State aid/grants	4,323,924	4,532,943	(209,019)
Charges for services			0
Interest income			0
Miscellaneous revenues	116,082		116,082
Operating transfers	<u>194,714</u>	<u>194,714</u>	<u>0</u>
 Total Cash Receipts	 <u>5,346,512</u>	 <u>5,406,578</u>	 <u>(60,066)</u>
EXPENDITURES			
Instruction	2,122,015	2,253,165	131,150
Student support services	194,417	195,775	1,358
Instruction support staff	124,862	146,470	21,608
General administration	204,322	214,314	9,992
School administration	383,794	332,960	(50,834)
Operations and maintenance	254,327	305,150	50,823
Student transportation services	305,508	367,350	61,842
Central support services			0
Other support services	101,132	107,750	6,618
Food service operations			0
Student activities	1,057		(1,057)
Facility acquisition and construction services			0
Debt service			0
Operating transfers	1,655,078	1,483,644	(171,434)
Adjustment to comply with legal max		(176,148)	(176,148)
Adjustment for qualifying budget credits		<u>116,082</u>	<u>116,082</u>
 Total Expenditures	 <u>5,346,512</u>	 <u>\$ 5,346,512</u>	 <u>\$ (0)</u>
 Receipts Over (Under) Expenditures	 (0)		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ (0)</u>		

Note 10

USD #377 EFFINGHAM, KS
 SUPPLEMENTAL GENERAL FUND
 STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
 For the Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 892,704	\$ 937,391	\$ (44,687)
Delinquent tax	13,372	4,637	8,735
Motor vehicle tax	137,001	157,490	(20,489)
RV tax	2,156	2,043	113
16/20 Trucks tax	25,250		25,250
Federal grants			0
State aid/grants	612,967	612,148	819
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>1,683,450</u>	<u>1,713,709</u>	<u>(30,259)</u>
EXPENDITURES			
Instruction	372,481	291,653	(80,828)
Student support services		5,000	5,000
Instruction support staff			0
General administration	16,062	27,000	10,938
School administration	4,277	5,500	1,223
Operations and maintenance	555,166	573,958	18,792
Student transportation services	241,816	188,000	(53,816)
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	515,000	675,000	160,000
Adjustment to comply with legal max		(61,309)	(61,309)
Adjustment for qualifying budget credits			0
Total Expenditures	<u>1,704,802</u>	<u>\$ 1,704,802</u>	<u>\$ 0</u>
 Receipts Over (Under) Expenditures	 (21,352)		
Unencumbered Cash, Beginning	166,420		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ 145,068</u>		

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Board of Education
Unified School District No. 377
Effingham, Kansas

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

We have audited the financial statements of Unified School District No. 377, Effingham, Kansas as of and for the year ended June 30, 2012, and have issued our report thereon dated October 14, 2012. In our report, our opinion was qualified due to the use of another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unified School District No. 377'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 Unified School District No. 377's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Organization'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 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 organization'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.

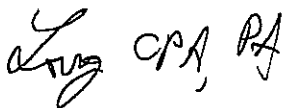
Board of Education
Unified School District No. 377
Effingham, Kansas

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 377's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, others within the organization, 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.



Long CPA, PA
A Professional Association
Certified Public Accountant

October 14, 2012