

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 381
Spearville, Kansas

We have audited the accompanying financial statements of Unified School District No. 381, 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 and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, Unified School District No. 381, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

Further 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. 381 as of June 30, 2012, or the changes in its financial position for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of Unified School District No. 381, as of June 30, 2012, its cash receipts and expenditures, and budgetary results for the year then ended, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

January 17, 2013

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

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

Year ended June 30, 2012

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Prior year canceled encumbrances</u>	<u>Cash receipts</u>
Governmental funds:			
General funds:			
General	\$ -	\$ -	\$ 2,490,273
Supplemental general	14,837	-	882,975
Special revenue funds:			
Capital outlay	435,195	-	91,685
Driver training	2,794	-	5,399
At risk (K-12)	20,414	663	134,000
Food service	44,240	-	165,641
Professional development	462	-	12,500
Special education	251,205	-	357,190
Bilingual	476	-	5,000
Recreation commission	30,680	-	73,561
KPERs special retirement contribution	-	-	203,217
Vocational education	786	-	97,000
Non-budgeted special revenue funds:			
Contingency reserve	91,088	-	50,000
Textbook and student materials revolving	4,378	328	13,996
REAP - rural education achievement	-	-	36,451
Title I	-	-	25,896
Title IIA	1,200	-	7,817
Gifts and grants	353,848	-	244,448
District activity funds	7,792	-	57,945
Debt service fund:			
Bond and interest	206,914	-	317,221
Capital project fund:			
Improvement fund/bond proceeds	-	-	8,285,018
Fiduciary funds:			
Private-purpose trust fund:			
Scholarship trust	16,613	-	12
	1,482,922	991	13,557,245
Component unit:			
Spearville Recreation Commission	71,307	-	92,799
Total - excluding agency funds	<u>\$ 1,554,229</u>	<u>\$ 991</u>	<u>\$ 13,650,044</u>
Composition of cash:			
Checking accounts			
Money market accounts			
Savings accounts			
Pooled investments			
Total component unit			
Total cash			
Agency funds			
Total - excluding agency funds			

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

<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance</u>
\$ 2,490,264	\$ 9	\$ 13,710	\$ 13,719
859,447	38,365	104,369	142,734
122,858	404,022	-	404,022
4,193	4,000	-	4,000
70,100	84,977	-	84,977
168,537	41,344	-	41,344
1,500	11,462	-	11,462
402,096	206,299	-	206,299
3,927	1,549	-	1,549
72,000	32,241	-	32,241
203,217	-	-	-
76,547	21,239	-	21,239
-	141,088	-	141,088
18,702	-	-	-
36,451	-	3,316	3,316
25,896	-	-	-
9,017	-	-	-
417,729	180,567	-	180,567
50,340	15,397	-	15,397
264,625	259,510	-	259,510
21,328	8,263,690	-	8,263,690
<u>13,338</u>	<u>3,287</u>	<u>1,127</u>	<u>4,414</u>
5,332,112	9,709,046	122,522	9,831,568
<u>113,181</u>	<u>50,925</u>	<u>67</u>	<u>50,992</u>
<u>\$ 5,445,293</u>	<u>\$ 9,759,971</u>	<u>\$ 122,589</u>	<u>\$ 9,882,560</u>
			\$ 952,628
			731,000
			3,287
			8,178,097
			<u>50,992</u>
			9,916,004
			<u>(33,444)</u>
			<u>\$ 9,882,560</u>

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended June 30, 2012

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment to comply with legal maximum budget</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General funds:					
General	\$ 2,518,614	\$ (28,350)	\$ 2,490,264	\$ 2,490,264	\$ -
Supplemental general	859,447	-	859,447	859,447	-
Special revenue funds:					
Capital outlay	350,000	-	350,000	122,858	227,142
Driver training	4,750	-	4,750	4,193	557
At risk (K-12)	70,100	-	70,100	70,100	-
Food service	200,650	-	200,650	168,537	32,113
Professional development	1,500	-	1,500	1,500	-
Special education	485,050	-	485,050	402,096	82,954
Bilingual	4,100	-	4,100	3,927	173
Recreation commission	72,000	-	72,000	72,000	-
KPERS special retirement contribution	228,057	-	228,057	203,217	24,840
Vocational education	87,700	-	87,700	76,547	11,153
Debt service fund:					
Bond and interest	265,626	-	265,626	264,625	1,001
	5,147,594	(28,350)	5,119,244	4,739,311	379,933
Component unit:					
Spearville Recreation Commission	161,421	-	161,421	113,181	48,240
	<u>\$ 5,309,015</u>	<u>\$ (28,350)</u>	<u>\$ 5,280,665</u>	<u>\$ 4,852,492</u>	<u>\$ 428,173</u>

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - STATUTORY AND BUDGET

	Year ended June 30,			
		2012		
	2011	Statutory amounts	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 2,642	\$ 6,014	\$ 6,238	\$ (224)
Current tax	312,763	331,188	325,709	5,479
Delinquent tax	1,107	1,733	1,612	121
Federal aid:				
ARRA stabilization	46,333	-	-	-
Education jobs	81,129	1,198	-	1,198
State aid:				
Equalization aid	1,855,568	1,871,573	1,879,485	(7,912)
Special education aid	257,239	276,912	305,570	(28,658)
Mineral production tax	301	1,655	-	1,655
Total cash receipts	<u>2,557,082</u>	<u>2,490,273</u>	<u>\$ 2,518,614</u>	<u>\$ (28,341)</u>
Expenditures and transfers subject to legal maximum budget:				
Instruction	1,517,596	1,479,140	\$ 1,498,610	\$ 19,470
Student support services	35,164	38,054	36,300	(1,754)
Instructional support staff	-	190	-	(190)
General administration	156,606	163,148	170,500	7,352
School administration	217,221	202,876	223,000	20,124
Operations and maintenance	210,353	168,285	247,034	78,749
Student transportation services	17,654	30,211	17,600	(12,611)
Operating transfers	402,488	408,360	325,570	(82,790)
Adjustment to comply with legal maximum budget	<u>-</u>	<u>-</u>	<u>(28,350)</u>	<u>(28,350)</u>
Total expenditures and transfers subject to legal maximum budget	<u>2,557,082</u>	<u>2,490,264</u>	<u>\$ 2,490,264</u>	<u>\$ -</u>
Receipts over (under) expenditures	-	9		
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ 9</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

SUPPLEMENTAL GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - STATUTORY AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
		2012		
	2011	Statutory amounts	Budget	
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 3,800	\$ 8,539	\$ 8,602	\$ (63)
Current tax	410,258	433,200	418,619	14,581
Delinquent tax	1,375	2,267	2,116	151
Motor vehicle tax	26,964	35,160	38,195	(3,035)
State aid	416,811	403,809	389,270	14,539
Total cash receipts	<u>859,208</u>	<u>882,975</u>	<u>\$ 856,802</u>	<u>\$ 26,173</u>
Expenditures and transfers subject to legal maximum budget:				
Instruction	95,721	171,314	\$ 95,601	\$ (75,713)
Operations and maintenance	211,930	220,044	217,000	(3,044)
Student transportation services	144,961	145,777	147,000	1,223
Operating transfers	412,021	322,312	399,846	77,534
Total expenditures and transfers subject to legal maximum budget	<u>864,633</u>	<u>859,447</u>	<u>\$ 859,447</u>	<u>\$ -</u>
Receipts over (under) expenditures	(5,425)	23,528		
Unencumbered cash, beginning of year	<u>20,262</u>	<u>14,837</u>		
Unencumbered cash, end of year	<u>\$ 14,837</u>	<u>\$ 38,365</u>		

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part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

CAPITAL OUTLAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Current tax	\$ 214	\$ -	\$ -	\$ -
Delinquent tax	173	117	-	117
Motor vehicle tax	5,052	-	-	-
Interest	2,354	1,385	-	1,385
Other	5,518	23,735	-	23,735
Transfer from general fund	91,886	66,448	-	66,448
Total cash receipts	105,197	91,685	\$ -	\$ 91,685
Expenditures:				
Instruction	-	-	\$ 65,000	\$ 65,000
Operations and maintenance	11,159	4,511	50,000	45,489
Transportation	-	-	35,000	35,000
Other support services	-	15,500	-	(15,500)
Facility acquisition and construction services	57,890	102,847	200,000	97,153
Total expenditures	69,049	122,858	\$ 350,000	\$ 227,142
Receipts over (under) expenditures	36,148	(31,173)		
Unencumbered cash, beginning of year	399,047	435,195		
Unencumbered cash, end of year	\$ 435,195	\$ 404,022		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

DRIVER TRAINING FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Fees	\$ 3,400	\$ 3,800	\$ -	\$ 3,800
State aid	1,036	1,599	1,480	119
Transfer from supplemental general fund	-	-	1,000	(1,000)
Total cash receipts	4,436	5,399	\$ 2,480	\$ 2,919
Expenditures:				
Instruction	3,799	4,145	\$ 4,750	\$ 605
Operations and maintenance	42	48	-	(48)
Total expenditures	3,841	4,193	\$ 4,750	\$ 557
Receipts over (under) expenditures	595	1,206		
Unencumbered cash, beginning of year	2,199	2,794		
Unencumbered cash, end of year	\$ 2,794	\$ 4,000		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

AT RISK (K-12) FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfer from supplemental general fund	\$ 80,500	\$ 134,000	\$ 62,000	\$ 72,000
Expenditures:				
Instruction	58,520	69,518	\$ 60,100	\$ (9,418)
Student support services	-	-	10,000	10,000
Instructional support staff	1,566	582	-	(582)
Total expenditures	60,086	70,100	\$ 70,100	\$ -
Receipts over (under) expenditures	20,414	63,900		
Unencumbered cash, beginning of year	-	20,414		
Prior year canceled encumbrances	-	663		
Unencumbered cash, end of year	\$ 20,414	\$ 84,977		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

FOOD SERVICE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Charges for services	\$ 97,086	\$ 89,914	\$ 97,689	\$ (7,775)
Federal aid	57,435	59,543	57,451	2,092
State aid	2,278	2,184	1,821	363
Transfer from supplemental general fund	53,000	14,000	44,500	(30,500)
Total cash receipts	209,799	165,641	<u>\$ 201,461</u>	<u>\$ (35,820)</u>
Expenditures:				
Food service operations	180,282	168,537	<u>\$ 200,650</u>	<u>\$ 32,113</u>
Receipts over (under) expenditures	29,517	(2,896)		
Unencumbered cash, beginning of year	14,723	44,240		
Unencumbered cash, end of year	<u>\$ 44,240</u>	<u>\$ 41,344</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

PROFESSIONAL DEVELOPMENT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfer from supplemental general fund	\$ 1,500	\$ 12,500	<u>\$ 2,000</u>	<u>\$ 10,500</u>
Expenditures:				
Instructional support staff	<u>1,688</u>	<u>1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>
Receipts over (under) expenditures	(188)	11,000		
Unencumbered cash, beginning of year	<u>650</u>	<u>462</u>		
Unencumbered cash, end of year	<u>\$ 462</u>	<u>\$ 11,462</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

SPECIAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Other	\$ 2,203	\$ 5,466	\$ -	\$ 5,466
Transfer from general fund	290,302	276,912	305,570	(28,658)
Transfer from supplemental general fund	212,021	74,812	205,000	(130,188)
Total cash receipts	504,526	357,190	\$ 510,570	\$ (153,380)
Expenditures:				
Instruction	360,497	381,986	\$ 474,550	\$ 92,564
General administration	15,082	12,437	-	(12,437)
Operations and maintenance	300	400	-	(400)
Student transportation services	5,398	7,273	10,500	3,227
Total expenditures	381,277	402,096	\$ 485,050	\$ 82,954
Receipts over (under) expenditures	123,249	(44,906)		
Unencumbered cash, beginning of year	127,956	251,205		
Unencumbered cash, end of year	\$ 251,205	\$ 206,299		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

BILINGUAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Transfer from general fund	\$ 5,000	\$ 5,000	<u>\$ 5,000</u>	<u>\$ -</u>
Expenditures:				
Instruction	<u>4,524</u>	<u>3,927</u>	<u>\$ 4,100</u>	<u>\$ 173</u>
Receipts over (under) expenditures	476	1,073		
Unencumbered cash, beginning of year	<u>-</u>	<u>476</u>		
Unencumbered cash, end of year	<u>\$ 476</u>	<u>\$ 1,549</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

RECREATION COMMISSION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 651	\$ 1,278	\$ 1,207	\$ 71
Current tax	61,506	66,016	64,853	1,163
Delinquent tax	294	421	317	104
Motor vehicle tax	6,144	5,846	6,256	(410)
Total cash receipts	68,595	73,561	\$ 72,633	\$ 928
Expenditures:				
Transfer to component unit	69,500	72,000	\$ 72,000	\$ -
Receipts over (under) expenditures	(905)	1,561		
Unencumbered cash, beginning of year	31,585	30,680		
Unencumbered cash, end of year	\$ 30,680	\$ 32,241		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ 120,030	\$ 203,217	\$ 228,057	\$ (24,840)
Expenditures:				
Instruction	84,021	148,599	\$ 180,000	\$ 31,401
Student support services	3,601	3,438	6,000	2,562
General administration	8,402	14,228	10,600	(3,628)
School administration	13,203	18,050	16,257	(1,793)
Operations and maintenance	6,002	13,201	9,000	(4,201)
Student transportation services	-	648	-	(648)
Food service	4,801	5,053	6,200	1,147
Total expenditures	120,030	203,217	\$ 228,057	\$ 24,840
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

VOCATIONAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		Variance favorable (unfavorable)
	2011	Actual	Budget	
Cash receipts:				
Transfer from general fund	\$ 15,300	\$ 10,000	\$ 15,000	\$ (5,000)
Transfer from supplemental general fund	65,000	87,000	75,000	12,000
Total cash receipts	80,300	97,000	<u>\$ 90,000</u>	<u>\$ 7,000</u>
Expenditures:				
Instruction	80,653	76,547	<u>\$ 87,700</u>	<u>\$ 11,153</u>
Receipts over (under) expenditures	(353)	20,453		
Unencumbered cash, beginning of year	1,069	786		
Prior year canceled encumbrances	70	-		
Unencumbered cash, end of year	<u>\$ 786</u>	<u>\$ 21,239</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 1,591	\$ 2,537	\$ 2,317	\$ 220
Current tax	122,202	143,231	138,308	4,923
Delinquent tax	785	1,030	630	400
Motor vehicle tax	16,156	13,718	14,361	(643)
State aid	93,420	97,911	98,282	(371)
Accrued interest and premium on bond proceeds	621	58,794	-	58,794
Total cash receipts	234,775	317,221	\$ 253,898	\$ 63,323
Expenditures:				
Debt service:				
Principal	190,000	200,000	\$ 200,000	\$ -
Interest	69,500	64,625	64,626	1
Commission and postage	-	-	1,000	1,000
Total expenditures	259,500	264,625	\$ 265,626	\$ 1,001
Receipts over (under) expenditures	(24,725)	52,596		
Unencumbered cash, beginning of year	231,639	206,914		
Unencumbered cash, end of year	\$ 206,914	\$ 259,510		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

**SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS**

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfer from primary government	\$ 69,500	\$ 72,000	\$ 69,500	\$ 2,500
Charges and sales	10,702	13,223	9,200	4,023
Interest	419	195	500	(305)
Donations and other	156	516	-	516
Youth athletic programs	14,155	6,865	12,000	(5,135)
Total cash receipts	94,932	92,799	\$ 91,200	\$ 1,599
Expenditures:				
Pool maintenance/improvements	5,688	20,685	\$ 35,000	\$ 14,315
Park maintenance/improvements	5,413	5,796	33,000	27,204
Youth athletic programs	12,712	15,669	15,000	(669)
Salaries	26,479	38,538	30,000	(8,538)
Capital purchases	15,873	4,406	6,000	1,594
Insurance	2,953	3,102	5,000	1,898
Ball field maintenance/improvements	7,109	7,429	15,000	7,571
Concession expense	3,096	3,843	5,000	1,157
Utilities	3,754	3,307	5,000	1,693
Payroll taxes	5,580	7,184	7,500	316
Other	1,038	3,222	4,921	1,699
Total expenditures	89,695	113,181	\$ 161,421	\$ 48,240
Receipts over (under) expenditures	5,237	(20,382)		
Unencumbered cash, beginning of year	66,070	71,307		
Unencumbered cash, end of year	\$ 71,307	\$ 50,925		

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

ALL NON-BUDGETED FUNDS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

Year ended June 30, 2012

		Special revenue	
	Contingency reserve	Textbook and student materials revolving	REAP rural education achievement
Cash receipts:			
Fees	\$ -	\$ 13,996	\$ -
Federal aid	-	-	36,451
Bond proceeds	-	-	-
Interest	-	-	-
Windfarm donation	-	-	-
Transfer from general fund	50,000	-	-
Total cash receipts	50,000	13,996	36,451
Expenditures:			
Instruction	-	18,702	36,451
Cost of issuance	-	-	-
Other	-	-	-
Total expenditures	-	18,702	36,451
Receipts over (under) expenditures	50,000	(4,706)	-
Unencumbered cash, beginning of year	91,088	4,378	-
Prior year canceled encumbrances	-	328	-
Unencumbered cash, end of year	\$ 141,088	\$ -	\$ -

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

Special revenue			Debt service	
			Improvement fund/ bond proceed	
Title I	Title IIA	Gifts and grants		Total
\$ -	\$ -	\$ -	\$ -	\$ 13,996
25,896	7,817	-	-	70,164
-	-	-	8,285,000	8,285,000
-	-	-	18	18
-	-	244,448	-	244,448
-	-	-	-	50,000
<u>25,896</u>	<u>7,817</u>	<u>244,448</u>	<u>8,285,018</u>	<u>8,663,626</u>
25,896	7,817	417,729	-	506,595
-	-	-	21,328	21,328
-	1,200	-	-	1,200
<u>25,896</u>	<u>9,017</u>	<u>417,729</u>	<u>21,328</u>	<u>529,123</u>
-	(1,200)	(173,281)	8,263,690	8,134,503
-	1,200	353,848	-	450,514
-	-	-	-	328
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,567</u>	<u>\$8,263,690</u>	<u>\$ 8,585,345</u>

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

SCHOLARSHIP TRUST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

	Year ended June 30,	
	2011	2012
Cash receipts:		
Interest	\$ 27	\$ 12
Expenditures:		
Scholarships	-	13,338
Receipts over (under) expenditures	27	(13,326)
Unencumbered cash, beginning of year	16,586	16,613
Unencumbered cash, end of year	<u>\$ 16,613</u>	<u>\$ 3,287</u>

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

DISTRICT ACTIVITY FUNDS

STATEMENT OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH

Year ended June 30, 2012

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Cash receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance</u>
Gate receipts:						
Athletics	\$ 1,530	\$ 27,735	\$ 27,796	\$ 1,469	\$ -	\$ 1,469
Forensics	2,060	1,919	2,460	1,519	-	1,519
School projects:						
Art department	683	2,099	1,278	1,504	-	1,504
Yearbook	1,670	17,116	10,935	7,851	-	7,851
Quiz bowl	1,681	1,650	1,204	2,127	-	2,127
Woods department	-	6,675	6,667	8	-	8
Business department	-	751	-	751	-	751
Memorial pictures	168	-	-	168	-	168
Total district activity funds	<u>\$ 7,792</u>	<u>\$ 57,945</u>	<u>\$ 50,340</u>	<u>\$ 15,397</u>	<u>\$ -</u>	<u>\$ 15,397</u>

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

AGENCY FUNDS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS - ACTUAL

Year ended June 30, 2012

<u>Fund</u>	<u>Beginning cash balance</u>	<u>Cash receipts</u>	<u>Cash disbursements</u>	<u>Ending cash balance</u>
Student organization funds:				
Class of 2012	\$ 5,560	\$ 112	\$ 3,757	\$ 1,915
Class of 2013	9,735	6,954	14,097	2,592
Class of 2014	1,225	20,246	9,491	11,980
Class of 2015	-	13,957	8,194	5,763
Student incentive	2,104	3,699	5,449	354
Football	50	-	-	50
Volleyball	28	-	-	28
HS men's basketball	473	1,142	1,405	210
Track & field	-	88	-	88
Baseball	-	100	-	100
Softball	-	3,435	3,296	139
HS girls basketball	459	618	720	357
Music fund	5,031	364	4,338	1,057
National honor society	965	2,886	2,527	1,324
Cheerleaders	313	14,916	12,259	2,970
Drill team	855	6,932	6,234	1,553
Dance team	-	1,460	1,460	-
Pep club	192	-	-	192
Student council	1,310	2,406	3,613	103
Middle school student council	186	-	-	186
Vocational club	696	-	-	696
JH cheerleaders	2,090	4,843	5,146	1,787
	<u>2,090</u>	<u>4,843</u>	<u>5,146</u>	<u>1,787</u>
Total agency funds	<u>\$ 31,272</u>	<u>\$ 84,158</u>	<u>\$ 81,986</u>	<u>\$ 33,444</u>

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

**UNIFIED SCHOOL DISTRICT NO. 381
SPEARVILLE, KANSAS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Financial reporting entity

U.S.D. No. 381 Spearville, Kansas is a municipal corporation governed by an elected seven-member board. The scope of the entity for financial reporting purposes is defined as those funds for which the governing body of the District has financial accountability. Financial accountability includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds. These financial statements include all funds included in the District's legally adopted budget and trust funds controlled or administered by District employees in their capacity as District employees. These financial statements present U.S.D. No. 381 Spearville, Kansas (the primary government) and its component unit. The component unit is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

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

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

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

Spearville Recreation Commission
c/o U.S.D. #381
Spearville, Kansas 67876

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting

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

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

GOVERNMENTAL FUNDS

General Funds

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Project Fund

The capital project fund is established to account for financial resources to be used for the acquisition of major capital facilities.

FIDUCIARY FUNDS

Private-Purpose Trust Fund

The private-purpose trust fund is used to account for the principal and income for trust arrangements that benefit individuals, private organizations or other governments.

Agency Funds

Agency funds are used to account for assets held by the District as an agent for individuals, other governments and/or other funds.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of accounting

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

K.S.A. 72-6417 and K.S.A. 79-6434 require that districts receiving state aid in July for the previous fiscal year ended in June record and account for these funds as receipts for the previous fiscal year ending on the preceding June 30.

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

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

4. Budgetary information

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. 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 General fund was amended as follows:

<u>Fund</u>	<u>Original budget</u>	<u>Amended budget</u>
General	\$ 2,497,446	\$ 2,518,614

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

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

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, the bond improvement debt service fund and the following special revenue funds:

- Contingency Reserve
- Textbook and Student Material Revolving
- REAP – Rural Education Achievement
- Title I
- Title IIA
- Gifts and Grants
- District Activity

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

5. Cash and investments

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Ad valorem tax revenue

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

7. Pension plan

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

8. Compensated absences

The District's policies regarding vacation and sick pay permit an annual vacation of one to three weeks with pay depending on years of service to employees assigned to twelve month positions. The Superintendent is entitled to an annual vacation of three weeks. Non-certified staff only are entitled to payment for unused vacation if they terminate employment at the end of the contract period. Sick leave for all employees may be accumulated at a rate of ten days per year up to a total accumulation of 72 days. The sick leave pool is administered by a committee of District employees. Personal leave is given to all personnel at two days per year and may accumulate to a total of three days for non-certified staff and four days for certified personnel. In the event of death, retirement or termination of employment for all employees, accumulated sick and personal leave is lost. The District's policy is to recognize the costs of compensated absences when actually paid.

9. Section 125 plan

The District offers a Section 125 flexible benefit plan to employees electing to participate. It is used for health insurance premiums, unreimbursed medical expense, dependent care expense, and other insurance premiums. The plan is administered by an independent company.

10. Estimates

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Other post employment benefits

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

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

12. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical needs of employees. The District purchases commercial insurance to cover health, property, liability and worker's compensation claims. There have been no significant reductions in coverage from the prior year. Settled claims from these risks have not exceeded coverage in any of the past three years.

B. DEPOSITS AND INVESTMENTS

Policies. The District has no formal deposit and investment policies; however it does follow state statutes. K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds to have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the District's deposits in financial institutions to be entirely covered by federal depository insurance, by a corporate surety bond, 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.

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. Additionally, K.S.A. 10-131(a)(6) authorizes the District to invest proceeds of bonds in obligations of the Federal National Mortgage Association, Federal Home Loan Banks, or the Federal Home Loan Mortgage Corporation. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Government's deposits may not be returned to it. At year-end the carrying amount of the District's deposits, including certificates of deposit, was \$1,686,915. The bank balance was \$1,715,289. Of the bank balance, \$500,318 was covered by FDIC insurance, \$1,214,971 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name.

B. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments. As of June 30, 2012, the District had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ 8,178,097	(See below)	AAAf/S1+

At June 30, 2012, the District had invested \$8,178,097 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. Separately issued financial statements of the Municipal Investment Pool may be obtained from the Pooled Money Investment Board, 900 S.W. Jackson, Suite 209, Topeka, Kansas 66612-1220.

Credit quality risk. Investment quality rating given above is per Standard & Poor's, as of June 30, 2012.

Concentration of credit risk. Investment types and percents at cost are as follows: Kansas Municipal Investment Pool 100%.

Interest Rate Risk. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

C. LONG-TERM DEBT

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

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Series 2009					
Issued March 1, 2010					
In the amount of \$2,235,000					
At interest rates of 2.50%					
to 4.00%					
Maturing September 1, 2019	\$ 2,045,000	\$ -	\$ 200,000	\$ 1,845,000	\$ 64,625
Series 2012					
Issued June 1, 2012					
In the amount of \$8,285,000					
At interest rates of 2.000%					
to 3.125%					
Maturing September 1, 2032	-	8,285,000	-	8,285,000	-
Total general obligation bonds	\$ 2,045,000	\$ 8,285,000	\$ 200,000	\$10,130,000	\$ 64,625

C. LONG-TERM DEBT (CONTINUED)

K.S.A. 72-6761 limits the amount of bonds that a school district may have outstanding at any one time to 14% of the assessed valuation of taxable tangible property within the school district. At year end, the District had \$10,130,000 of bonds outstanding which is 55.65% of the assessed valuation. The District has obtained permission from the Kansas State Board of Education to exceed this limitation.

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

<u>Year ended June 30,</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2013	\$ 205,000	\$ 234,261	\$ 439,261
2014	215,000	286,706	501,706
2015	520,000	277,181	797,181
2016	535,000	263,844	798,844
2017	555,000	249,494	804,494
2018-2022	2,570,000	982,856	3,552,856
2023-2027	2,220,000	654,703	2,874,703
2028-2032	2,705,000	306,997	3,011,997
2033	<u>605,000</u>	<u>9,453</u>	<u>614,453</u>
Total	<u>\$ 10,130,000</u>	<u>\$ 3,265,495</u>	<u>\$ 13,395,495</u>

D. 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, KS 66603-3869), or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and 74-49,210 establishes the KPERS member-employee contribution rate at 4% and 6% respectively of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 9.77% of covered payroll for July 1, 2011 through June 30, 2012. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2012, 2011, and 2010 were \$298,635,383, \$253,834,044, and \$248,468,186, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2012, 2011, and 2010 were \$203,217, \$120,030, and \$141,151, respectively.

E. INTERFUND TRANSFERS

A summary of interfund transfers by type is as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Statutory authority</u>
Operating transfers:			
General fund	Special education fund	\$ 276,912	K.S.A. 72-6428
General fund	Vocational education fund	10,000	K.S.A. 72-6428
General fund	Bilingual fund	5,000	K.S.A. 72-6428
General fund	Capital Outlay fund	66,448	K.S.A. 72-6428
General fund	Contingency fund	50,000	K.S.A. 72-6428
Supplemental general fund	At risk (K-12) fund	134,000	K.S.A. 72-6433
Supplemental general fund	Food Service fund	14,000	K.S.A. 72-6433
Supplemental general fund	Professional Development fund	12,500	K.S.A. 72-6433
Supplemental general fund	Special education fund	74,812	K.S.A. 72-6433
Supplemental general fund	Vocational education fund	<u>87,000</u>	K.S.A. 72-6433
		<u>\$ 730,672</u>	
Transfers to component units:			
Recreation commission fund	Spearville Recreation Commission	<u>\$ 72,000</u>	K.S.A. 12-1928

F. CONTINGENCIES

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

G. CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	<u>Project authorization</u>	<u>Cash disbursements and accounts payable to date</u>
Junior/Senior High School Building	\$ 8,285,000	\$ 21,328

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 17, 2013, the date on which the financial statements were available to be used. Management's evaluation concluded that the following subsequent event is required to be disclosed in these financial statements: A bid was accepted from Lloyd Builders in the amount of \$8,285,000 for the school building project.