

UNIFIED SCHOOL DISTRICT NO. 411

GOESSEL, KANSAS

Special Financial Statements

June 30, 2012

Unified School District No. 411

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 411
Goessel, Kansas

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 411, Goessel, Kansas, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2011 financial statements and in our report dated September 27, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

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, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting 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. 411, Goessel, Kansas, as of June 30, 2012, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Primary Government of Unified School District No. 411, Goessel, Kansas, as of June 30, 2012, and its cash receipts and expenditures for the year then ended on the basis of accounting described in Note 1.

Knudsen, Monroe & Company LLC

Certified Public Accountants

September 5, 2012

Unified School District No. 411

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended June 30, 2012

<u>FUNDS</u>	Unencumbered Cash Balance 06-30-11 *	Receipts	Expenditures	Unencumbered Cash Balance 06-30-12	Liabilities and Encumbrances	Cash Balance 06-30-12
General						
General	\$ 1	2,086,456	2,086,456	1	11,435	11,436
Supplemental general	24,886	633,784	641,000	17,670	-	17,670
Special revenue						
At risk (K-12)	37,438	68,490	75,978	29,950	-	29,950
Capital outlay	563,270	26,886	64,367	525,789	26,508	552,297
Driver training	3,623	22,981	23,350	3,254	-	3,254
Food service	40,565	149,676	161,358	28,883	-	28,883
Professional development	14,056	10,000	13,225	10,831	-	10,831
Special education	236,019	375,467	466,844	144,642	-	144,642
Vocational education	60,170	92,747	122,478	30,439	-	30,439
KPERS special retirement contribution	-	173,318	173,318	-	-	-
Contingency reserve	216,849	-	-	216,849	-	216,849
Textbook and student material revolving	20,684	10,701	18,008	13,377	881	14,258
Gifts and grants	-	1,000	-	1,000	-	1,000
Recreation	22,506	25,442	27,250	20,698	-	20,698
Federal government programs	954	62,390	63,276	68	-	68
Activity gate receipts	4,536	53,232	52,771	4,997	-	4,997
School projects	14,318	13,314	14,493	13,139	-	13,139
Debt service						
Bond and interest	116,579	209,456	219,718	106,317	-	106,317
Fiduciary						
Student organizations	-	68,655	68,655	-	27,350	27,350
	\$ 1,376,454	4,083,995	4,292,545	1,167,904	66,174	1,234,078

Unified School District No. 411
 SUMMARY STATEMENT OF EXPENDITURES -
 ACTUAL AND BUDGET
 Year ended June 30, 2012

	Certified Budget	Adjustment to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General						
General	\$2,240,041	(156,505)	2,921	2,086,457	2,086,456	(1)
Supplemental general	641,000	-	-	641,000	641,000	-
Special revenue						
At risk (K-12)	99,438	-	-	99,438	75,978	(23,460)
Capital outlay	563,362	-	-	563,362	64,367	(498,995)
Driver training	24,956	-	-	24,956	23,350	(1,606)
Food service	176,340	-	-	176,340	161,358	(14,982)
Professional development	14,057	-	-	14,057	13,225	(832)
Special education	644,581	-	-	644,581	466,844	(177,737)
Vocational education	150,170	-	-	150,170	122,478	(27,692)
KPERS special retirement contribution	186,017	-	-	186,017	173,318	(12,699)
Recreation	27,250	-	-	27,250	27,250	-
Debt service						
Bond and interest	219,718	-	-	219,718	219,718	-
	<u>\$4,986,930</u>	<u>(156,505)</u>	<u>2,921</u>	<u>4,833,346</u>	4,075,342	<u>(758,004)</u>
Add expenditures of unbudgeted funds						
Special revenue					148,548	
Fiduciary					68,655	
Total expenditures, Statement 1					<u>\$ 4,292,545</u>	

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

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

		2012		Variance
	2011			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
GENERAL				
Receipts				
Taxes				
Tax in process	\$ 8,036	8,216	5,547	2,669
Current tax	196,031	189,280	192,769	(3,489)
Delinquent tax	2,236	2,260	3,148	(888)
Mineral production tax	50	70	-	70
ARRA stabilization funds	38,062	-	-	-
General state aid	1,525,306	1,553,181	1,582,306	(29,125)
Special education state aid	299,454	329,572	368,562	(38,990)
Education jobs fund	66,646	956	-	956
After school program	-	2,179	-	2,179
Miscellaneous	-	742	-	742
Transfers	-	-	87,709	(87,709)
	<u>2,135,821</u>	<u>2,086,456</u>	<u>2,240,041</u>	<u>(153,585)</u>
Expenditures				
Instruction	930,924	879,672	1,024,163	(144,491)
Instructional support	12,674	12,338	13,000	(662)
General administration	137,009	165,570	137,189	28,381
School administration	199,151	188,026	199,680	(11,654)
Operation and maintenance	283,749	272,393	315,505	(43,112)
Student transportation	143,616	163,101	132,260	30,841
Other support	41,892	55,035	42,682	12,353
Operating transfers	386,807	350,321	375,562	(25,241)
Adjustment to comply with legal max	-	-	(156,505)	156,505
Legal general fund budget	2,135,822	2,086,456	2,083,536	2,920
Budget adjustments:				
Qualifying budget credits	-	-	2,921	(2,921)
Total expenditures	<u>2,135,822</u>	<u>2,086,456</u>	<u>2,086,457</u>	<u>(1)</u>
Receipts over (under) expenditures	(1)	-		
Unencumbered cash, beginning - As restated	<u>2</u>	<u>1</u>		
Unencumbered cash, ending	\$ <u>1</u>	<u>1</u>		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

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

		2012		Variance
	2011			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
SUPPLEMENTAL GENERAL				
Receipts				
Taxes				
Tax in process	\$ 11,900	12,143	9,596	2,547
Current tax	279,503	277,670	318,779	(41,109)
Delinquent tax	3,248	3,505	4,514	(1,009)
Vehicle tax	37,207	39,625	41,791	(2,166)
State aid	<u>326,708</u>	<u>300,841</u>	<u>290,010</u>	<u>10,831</u>
	<u>658,566</u>	<u>633,784</u>	<u>664,690</u>	<u>(30,906)</u>
Expenditures				
Instruction	368,455	360,000	390,000	(30,000)
Instructional support	12,203	6,522	-	6,522
Operation and maintenance	30,000	20,000	20,000	-
Operating transfers	<u>250,342</u>	<u>254,478</u>	<u>231,000</u>	<u>23,478</u>
	<u>661,000</u>	<u>641,000</u>	<u>641,000</u>	<u>-</u>
Receipts over (under) expenditures	(2,434)	(7,216)		
Unencumbered cash, beginning - As restated	<u>27,320</u>	<u>24,886</u>		
Unencumbered cash, ending	<u>\$ 24,886</u>	<u>17,670</u>		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

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

		2012		Variance
	2011	Actual	Budget	Over
	Actual			(Under)
AT RISK (K-12)				
Receipts				
Transfers from other funds	\$ 64,644	68,490	62,000	6,490
Expenditures				
Salaries and benefits	53,391	69,953	96,138	(26,185)
Other	288	6,025	3,300	2,725
	<u>53,679</u>	<u>75,978</u>	<u>99,438</u>	<u>(23,460)</u>
Receipts over (under) expenditures	10,965	(7,488)		
Unencumbered cash, beginning	<u>26,473</u>	<u>37,438</u>		
Unencumbered cash, ending	<u>\$ 37,438</u>	<u>29,950</u>		
CAPITAL OUTLAY				
Receipts				
Taxes				
Delinquent tax	\$ 488	286	72	214
Vehicle tax	4,746	31	13	18
Interest	10,080	4,670	8,000	(3,330)
Transfers from other funds	18,223	13,749	-	13,749
Other	190,489	8,150	-	8,150
	<u>224,026</u>	<u>26,886</u>	<u>8,085</u>	<u>18,801</u>
Expenditures				
Equipment and furniture	136,167	63,950	298,362	(234,412)
Transportation equipment	64,521	-	65,000	(65,000)
Building improvements	<u>217,075</u>	<u>417</u>	<u>200,000</u>	<u>(199,583)</u>
	<u>417,763</u>	<u>64,367</u>	<u>563,362</u>	<u>(498,995)</u>
Receipts over (under) expenditures	(193,737)	(37,481)		
Unencumbered cash, beginning	<u>757,007</u>	<u>563,270</u>		
Unencumbered cash, ending	<u>\$ 563,270</u>	<u>525,789</u>		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

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

		2012		Variance
	2011			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
DRIVER TRAINING				
Receipts				
State aid	\$ 1,406	1,222	1,332	(110)
Other	2,050	2,413	-	2,413
Transfers from other funds	21,218	19,346	20,000	(654)
	<u>24,674</u>	<u>22,981</u>	<u>21,332</u>	<u>1,649</u>
Expenditures				
Salaries and benefits	24,144	23,080	24,225	(1,145)
Other	207	270	731	(461)
	<u>24,351</u>	<u>23,350</u>	<u>24,956</u>	<u>(1,606)</u>
Receipts over (under) expenditures	323	(369)		
Unencumbered cash, beginning	3,300	3,623		
Unencumbered cash, ending	<u>\$ 3,623</u>	<u>3,254</u>		
FOOD SERVICE				
Receipts				
Lunch sales	\$ 57,307	69,015	57,736	11,279
Federal aid	50,760	53,043	50,752	2,291
State aid	1,596	1,691	1,287	404
Other	157	927	-	927
Transfers from other funds	25,000	25,000	26,000	(1,000)
	<u>134,820</u>	<u>149,676</u>	<u>135,775</u>	<u>13,901</u>
Expenditures				
Salaries and benefits	61,018	62,662	62,800	(138)
Food	72,979	81,786	87,000	(5,214)
Supplies and other	7,535	16,910	26,540	(9,630)
	<u>141,532</u>	<u>161,358</u>	<u>176,340</u>	<u>(14,982)</u>
Receipts over (under) expenditures	(6,712)	(11,682)		
Unencumbered cash, beginning	47,277	40,565		
Unencumbered cash, ending	<u>\$ 40,565</u>	<u>28,883</u>		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

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

		2012		Variance
	2011	Actual	Budget	Over
	Actual			(Under)
PROFESSIONAL DEVELOPMENT				
Receipts				
Transfers from other funds	\$ -	10,000	-	10,000
Expenditures				
Salaries and benefits	-	3,194	5,000	(1,806)
Tuition and interlocals	2,522	-	7,557	(7,557)
Supplies and other	6,201	10,031	1,500	8,531
	8,723	13,225	14,057	(832)
Receipts over (under) expenditures	(8,723)	(3,225)		
Unencumbered cash, beginning	22,779	14,056		
Unencumbered cash, ending	\$ 14,056	10,831		
SPECIAL EDUCATION				
Receipts				
Medicaid	\$ 3,097	-	-	-
Refund from Special Education Coop	8,222	-	-	-
Transfers from other funds	406,301	375,467	408,562	(33,095)
	417,620	375,467	408,562	(33,095)
Expenditures				
Salaries and benefits	9,725	-	10,855	(10,855)
Vehicle expense and other	3,167	440	40,660	(40,220)
Payments to Special Education Coop	428,537	466,404	593,066	(126,662)
	441,429	466,844	644,581	(177,737)
Receipts over (under) expenditures	(23,809)	(91,377)		
Unencumbered cash, beginning	259,828	236,019		
Unencumbered cash, ending	\$ 236,019	144,642		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

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

		2012		Variance
	2011	Actual	Budget	Over
	Actual			(Under)
VOCATIONAL EDUCATION				
Receipts				
Transfers from other funds	\$ 101,763	92,747	90,000	2,747
Expenditures				
Salaries and benefits	85,593	122,478	101,075	21,403
Equipment and other	-	-	49,095	(49,095)
	85,593	122,478	150,170	(27,692)
Receipts over (under) expenditures	16,170	(29,731)		
Unencumbered cash, beginning	44,000	60,170		
Unencumbered cash, ending	\$ 60,170	30,439		
KPERS SPECIAL RETIREMENT CONTRIBUTION				
Receipts				
State KPERS aid	\$ 101,649	173,318	186,017	(12,699)
Expenditures				
Instruction	69,428	116,123	113,500	2,623
General administration	7,811	13,865	14,500	(635)
School administration	6,835	12,132	12,500	(368)
Other supplemental services	2,929	5,200	10,000	(4,800)
Operations and maintenance	6,835	12,132	16,500	(4,368)
Student transportation services	4,882	8,666	11,750	(3,084)
Food service	2,929	5,200	7,267	(2,067)
	101,649	173,318	186,017	(12,699)
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	\$ -	-		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

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

		2012		Variance
	2011	Actual	Budget	Over
	Actual			(Under)
CONTINGENCY RESERVE				
Receipts				
Transfers from other funds	\$ -	-		
Expenditures	-	-		
			NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	216,849	216,849		
Unencumbered cash, ending	\$ 216,849	216,849		
TEXTBOOK AND STUDENT MATERIAL REVOLVING				
Receipts				
Fees	\$ 11,075	10,701		
Expenditures				
Materials	24,563	18,008		
			NOT APPLICABLE	
Receipts over (under) expenditures	(13,488)	(7,307)		
Unencumbered cash, beginning	34,172	20,684		
Unencumbered cash, ending	\$ 20,684	13,377		
GIFTS AND GRANTS				
Receipts				
Gifts	\$ -	1,000		
Expenditures	-	-		
Receipts over (under) expenditures	-	1,000		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	\$ -	1,000		

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 <u>Actual</u>	<u>2012</u>		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
RECREATION				
Receipts				
Taxes				
Tax in process	\$ 937	958	736	222
Current tax	22,046	21,070	21,527	(457)
Delinquent tax	281	290	356	(66)
Vehicle tax	<u>3,154</u>	<u>3,124</u>	<u>3,292</u>	<u>(168)</u>
	26,418	25,442	<u>25,911</u>	<u>(469)</u>
Expenditures				
Appropriation to recreation commission	<u>25,000</u>	<u>27,250</u>	<u>27,250</u>	<u>-</u>
Receipts over (under) expenditures	1,418	(1,808)		
Unencumbered cash, beginning	<u>21,088</u>	<u>22,506</u>		
Unencumbered cash, ending	<u>\$ 22,506</u>	<u>20,698</u>		

See notes to financial statements

Unified School District No. 411
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012
(With comparable actual totals for the prior year ended June 30, 2011)

	2012					2011 Total	
	Title I ESEA	Title II-A		Small Rural Schools			Total
		Class Size Reduction					
Receipts							
Federal and state grants	\$ 13,760	8,625	40,005		62,390	73,493	
Reallocation of grant proceeds	<u>6,754</u>	<u>(6,754)</u>	-		-	-	
	<u>20,514</u>	<u>1,871</u>	<u>40,005</u>		<u>62,390</u>	<u>73,493</u>	
Expenditures							
Salaries and benefits	20,362	-	-		20,362	29,592	
Equipment and supplies	<u>152</u>	<u>1,871</u>	<u>40,891</u>		<u>42,914</u>	<u>42,977</u>	
	<u>20,514</u>	<u>1,871</u>	<u>40,891</u>		<u>63,276</u>	<u>72,569</u>	
Receipts over (under) expenditures	-	-	(886)		(886)	924	
Unencumbered cash, beginning	-	-	954		954	30	
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>	<u>68</u>		<u>68</u>	<u>954</u>	

Legally adopted budget not applicable

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2012

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

		2012		Variance
	2011			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
BOND AND INTEREST				
Receipts				
Taxes				
Tax in process	\$ 4,805	5,157	4,482	675
Current tax	118,711	106,670	108,995	(2,325)
Delinquent tax	4,294	1,503	1,923	(420)
Vehicle tax	12,690	16,199	17,186	(987)
State aid	79,927	79,927	81,296	(1,369)
	<u>220,427</u>	<u>209,456</u>	<u>213,882</u>	<u>(4,426)</u>
Expenditures				
Principal	175,000	185,000	185,000	-
Interest	41,018	34,718	34,718	-
	<u>216,018</u>	<u>219,718</u>	<u>219,718</u>	<u>-</u>
Receipts over (under) expenditures	4,409	(10,262)		
Unencumbered cash, beginning	112,170	116,579		
Unencumbered cash, ending	<u>\$ 116,579</u>	<u>106,317</u>		

See notes to financial statements

Unified School District No. 411

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES

School Activity Funds

Year ended June 30, 2012

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
ACTIVITY GATE RECEIPTS				
High school				
Athletics	\$ 3,719	50,546	49,328	4,937
Plays	817	2,686	3,443	60
Totals to Statement 1	<u>\$ 4,536</u>	<u>53,232</u>	<u>52,771</u>	<u>4,997</u>
SCHOOL PROJECTS				
High school				
Yearbooks	\$ 14,166	8,912	10,067	13,011
Other	211	45	161	95
Grade school				
Other	(59)	4,357	4,265	33
Totals to Statement 1	<u>\$ 14,318</u>	<u>13,314</u>	<u>14,493</u>	<u>13,139</u>

See notes to financial statements

Unified School District No. 411
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 School Activity Funds
 Year ended June 30, 2012

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
STUDENT ORGANIZATIONS				
High school				
Student councils	\$ 3,313	9,429	10,230	2,512
Class of 2012	1,712	1,229	2,936	5
Class of 2013	1,055	4,160	4,347	868
Class of 2014	303	689	113	879
Class of 2015	186	307	186	307
 FFA	 255	 16,241	 10,122	 6,374
FCCLA	1,944	8,110	9,445	609
Elbiata	2,338	1,084	2,429	993
Concessions	710	8,998	8,946	762
Trip fund	2,751	4,693	2,127	5,317
See	372	-	-	372
Model UN	52	782	834	-
Band	-	292	156	136
Other	1,019	5,109	5,044	1,084
 Grade school				
Student council	555	678	590	643
4th, 5th and 6th Grade	4,135	6,026	4,724	5,437
Nature grant	502	-	384	118
Computer	828	320	681	467
Other	167	508	208	467
Total cash basis activity	22,197	68,655	63,502	27,350
Adjustments for encumbrances and payables	(22,197)	-	5,153	(27,350)
Totals to Statement 1	<u>\$ -</u>	<u>68,655</u>	<u>68,655</u>	<u>-</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 411, Goessel, Kansas, is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 411 (the primary government) as the only component unit.

The Goessel Recreation Commission which operates recreational programs within the District is a jointly governed organization. The District and the City of Goessel each appoint two members of the recreation commission board. Property taxes for the Goessel Recreation Commission are levied by the District.

Fund Descriptions

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

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

Governmental Funds

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

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

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

Fiduciary Funds

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

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Departure from Generally Accepted Accounting Principles

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

Activity Funds

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

Use of Estimates

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

2. BUDGETARY INFORMATION

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. BUDGETARY INFORMATION (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The District's 2012 budget was not amended.

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district, and if this "legal max" budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. If this "legal max" budget is greater than the adopted budget, the District must amend the budget (see prior paragraph) to the "legal max" amount to have the additional budget authority. The District's general fund budget for the year ended June 30, 2012, was reduced to the "legal max" of \$2,083,536.

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 fiduciary funds and the following special revenue funds:

- Contingency reserve
- Textbook and student material revolving
- Federal government programs
- Activity fund accounts

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

3. DEPOSITS AND INVESTMENTS

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

3. DEPOSITS AND INVESTMENTS (Continued)

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

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has not designated peak periods. All deposits were legally secured at June 30, 2012.

At June 30, 2012, the carrying amount of the District's deposits was \$1,234,078. The bank balance totaled \$1,269,006. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$304,920 was covered by FDIC insurance with the remaining \$964,086 collateralized with securities held by the pledging financial institution's agents in the District's name.

Composition of Cash and Investments

The cash and investments of the District at June 30, 2012, consisted of the following:

The Citizens State Bank, Goessel

Interest bearing

Regular account (NOW account)	\$ (67,585)
Premium investment account	1,248,177
High school activity fund	38,316
Grade school activity fund	7,165
Petty cash	2,000
Scholarship fund	<u>5</u>

Total interest bearing deposits	1,228,078
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Demand accounts

Petty cash	1,000
Medical reimbursement account	<u>5,000</u>
Total cash	<u>\$ 1,234,078</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

4. GENERAL LONG-TERM DEBT

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

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/12</u>	<u>Interest Paid</u>
General Obligation Bonds:									
Refinancing issue									
Series 2002	2.00-4.20%	9/15/2002	\$2,130,000	4/1/2016	<u>\$ 870,000</u>	<u>-</u>	<u>185,000</u>	<u>685,000</u>	<u>34,718</u>

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

	<u>Year ended June 30</u>				<u>Total</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
PRINCIPAL					
General Obligation Bonds	\$ 190,000	200,000	210,000	85,000	685,000
INTEREST					
General Obligation Bonds	<u>27,780</u>	<u>20,180</u>	<u>12,180</u>	<u>3,570</u>	<u>63,710</u>
TOTAL PRINCIPAL AND INTEREST	<u>\$ 217,780</u>	<u>220,180</u>	<u>222,180</u>	<u>88,570</u>	<u>748,710</u>

5. PRIOR PERIOD ADJUSTMENT – STATE AID REVENUE RECOGNITION

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

5. PRIOR PERIOD ADJUSTMENT – STATE AID REVENUE RECOGNITION (Continued)

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

	<u>General</u>	<u>Supplemental General</u>
Unencumbered Cash, July 1, 2010		
As originally reported	\$ (174,599)	(36,220)
July 2010 payment previously reported as revenue for the year ended June 30, 2011	<u>174,601</u>	<u>63,540</u>
As restated	<u>\$ 2</u>	<u>27,320</u>
Unencumbered Cash, July 1, 2011		
As originally reported	\$ (72,862)	5,476
July 2011 payment previously reported as revenue for the year ended June 30, 2012	<u>72,863</u>	<u>19,410</u>
As restated	<u>\$ 1</u>	<u>24,886</u>

6. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 established the KPERs member-employee contribution rate at 4.0% to 6.0% 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. The contribution rate for the state for the period from July 01, 2011 through June 30, 2012 was 9.77% of covered payroll. These contribution requirements are established by KPERs and are periodically revised. Kansas' contributions to KPERs for all Kansas public school employees for the years ending June 30, 2012, 2011 and 2010 were \$298,635,383, \$253,834,044 and \$248,468,186 respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

7. COMPENSATED ABSENCES

Vacation

Full-time staff who work all twelve months of the year earn annual vacations of one to four weeks depending upon position and length of employment. Teachers and other staff working for the District less than twelve months each contract year do not receive paid vacations. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Sick Leave

Full-time certified and classified personnel earn twelve days of sick leave per year cumulative to a maximum of seventy-five days. Regularly employed personnel working less than full time earn sick leave on a pro-rated basis per year cumulative to a maximum of forty-five days. Unused sick leave is not paid to terminating employees. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

8. INTERFUND TRANSACTIONS

Operating transfers during the year ended June 30, 2012, were as follows:

	<u>Transfers from</u>		
<u>Transfers to</u>	<u>General</u>	<u>Supplemental</u>	<u>Total</u>
At-Risk (K-12)	\$ 7,000	61,490	68,490
Capital Outlay	13,749	-	13,749
Driver Training	-	19,346	19,346
Food Service	-	25,000	25,000
Professional Development	-	10,000	10,000
Special Education	329,572	45,895	375,467
Vocational Education	-	92,747	92,747
	<u>\$ 350,321</u>	<u>254,478</u>	<u>604,799</u>

9. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to June 30, 2012, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through September 5, 2012, which is the date at which the financial statements were available to be issued.