

MORRIS COUNTY UNIFIED SCHOOL DISTRICT NO. 417

Council Grove, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2012

ALDRICH AND COMPANY LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
COUNCIL GROVE, KANSAS

Morris County Unified School District No. 417  
Council Grove, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012  
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Morris County Unified School District No. 417  
Council Grove, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012  
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Independent Auditors' Report

Board of Education  
Morris County USD No. 417  
Council Grove, KS 66846

We have audited the accompanying statutory basis financial statements of Morris County Unified School District No. 417, Council Grove, 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 Unified School District No. 417, Council Grove, Kansas management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audit. The prior year partial comparative information has been derived from the District's June 30, 2012 financial statements and, in our report dated January 18, 2012, we expressed a qualified opinion on the respective financial statements, taken as a whole, on the statutory basis of accounting.

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

As described more fully in Note 3, the financial statements report a cash receipt for the final state aid payment as of June 30th, even though the payment was actually received after June 30th. This is a departure from the basis of accounting required for financial statement presentations in accordance with the Kansas Municipal Audit Guide which requires that cash receipts be reported when received.

As described more fully in Note 2, USD 417 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 principals generally accepted in the United States of America, although not reasonable determinable is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of USD 417, Council Grove, Kansas, as of June 30, 2012, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Also, in our opinion, except for the effects of the matter discussed above regarding the reporting of the final state aid payment, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 417, Council Grove, Kansas, as of June 30, 2012, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 2.

*Aldrich Company, LLC*

ALDRICH AND COMPANY LLC  
CERTIFIED PUBLIC ACCOUNTANTS

November 27, 2012

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Fiscal Year Ended June 30, 2012

	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Fund	\$ 0	\$ 0	\$ 5,394,660	\$ 5,394,660	\$ 0	\$ 309	\$ 309
Supplemental General - L.O. B.	104,136	0	1,815,771	1,822,020	97,887	451,125	549,012
Special Revenue Funds							
At Risk Four Year Old	15,481	0	35,000	34,419	16,062	815	16,877
At Risk (K-12)	4,566	0	480,000	470,742	13,824		13,824
Bilingual Education	6,577	0	25,000	26,272	5,305	132	5,437
Vocational Education	46,774	0	177,002	183,398	40,378	5,179	45,557
Special Education	339,166	0	898,430	875,129	362,467	2,120	364,587
Food Service	163,746	0	406,410	448,577	121,579	1,152	122,731
Driver Training	43,023	0	21,479	27,380	37,122	393	37,515
Capital Outlay	674,838	0	220,110	427,614	467,334	234,664	701,998
Summer School	18,840	0	0	0	18,840		18,840
Professional Development	73,454	0	40,023	19,660	93,817	797	94,614
Extraordinary School Program	26,686	0	25,165	26,213	25,638		25,638
KPERs Retirement	0	0	528,721	528,721	0		0
Gifts and Grants	18,703	0	8,876	8,584	18,995		18,995
Textbook Rental	43,228	0	89,792	62,863	70,157	55,052	125,209
Contingency Reserve	308,285	0	22,000	0	330,285		330,285
Title I	0	0	129,829	129,829	0	32,420	32,420
Title IID - Educational Technology	0	0	0	0	0		0
Title IIA - Improving Teacher Quality	0	0	37,861	37,861	0		0
Rural Education	0	0	15,757	15,757	0		0
School Imp (1003a)	0	0	0	0	0		0
District Activity Funds	20,297	0	111,707	111,487	20,517		20,517
Debt Service Fund							
Bond & Interest	377,860	0	650,783	560,368	468,275		468,275
Redemption Fund	0	0	1,944,039	0	1,944,039		1,944,039
Capital Project Fund							
School Improvement Fund	2,096,230	0	2,744	2,095,956	3,018		3,018
Fiduciary Type Funds							
Private Purpose Trust Funds	15,438	0	7,097	8,647	13,888	0	13,888
Total Reporting Entity - (Excluding Agency Funds)	<u>\$ 4,397,328</u>	<u>\$ 0</u>	<u>\$ 13,088,256</u>	<u>\$ 13,316,157</u>	<u>\$ 4,169,427</u>	<u>\$ 784,158</u>	<u>\$ 4,953,585</u>

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 1(Cont)

Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Fiscal Year Ended June 30, 2012

Composition of Cash:

Petty Cash on Hand	
U.S.D. 417 Checking & Savings Accounts:	200
Farmers & Drovers Bank, Council Grove, Kansas	1,468,485
Farmers & Drovers Bank School Imp	1,947,057
Farmers State Bank, Dwight, Kansas	94,082
Alta Vista State Bank, Alta Vista, Kansas	119,128
Emprise Bank, Council Grove, Kansas	19,556
Activity Funds Checking Accounts:	
Farmers & Drovers Bank, Council Grove, Kansas	45,145
Farmers State Bank, Dwight, Kansas	1,950
Alta Vista State Bank, Alta Vista, Kansas	10,147
Certificates of Deposit:	
Farmers & Drovers Bank, Council Grove, Kansas	550,000
Farmers State Bank, Dwight, Kansas	250,000
Alta Vista State Bank, Alta Vista, Kansas	<u>480,000</u>
Total Cash	4,985,750
Less Agency Funds per Statement 4	<u>(32,165)</u>
Total Reporting Entity	<u>\$ 4,953,585</u>

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 2

Summary of Expenditures – Actual and Budget  
(Budgeted Funds Only)  
For the Fiscal Year Ended June 30, 2012

Governmental Type Funds	Certified Budget	Adjustment to Comply With Legal Max.	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General Fund	\$ 5,515,776	\$ (138,348)	\$ 17,232	\$ 5,394,660	\$ 5,394,660	\$ 0
Supplemental General - L.O.B.	1,820,792		1,228	1,822,020	1,822,020	0
Special Revenue Funds						
At Risk Four Year Old	45,481			45,481	34,419	11,062
At Risk (K-12)	504,566			504,566	470,742	33,824
Bilingual Education	31,577			31,577	26,272	5,305
Vocational Education	246,774			246,774	183,398	63,376
Special Education	1,173,535			1,173,535	875,129	298,406
Food Service	750,220			750,220	448,577	301,643
Driver Training	59,833			59,833	27,380	32,453
Capital Outlay	787,074			787,074	427,614	359,460
Summer School	18,840			18,840	0	18,840
Professional Development	73,454			73,454	19,660	53,794
Extraordinary School Program	42,650			42,650	26,213	16,437
KPERS Retirement	637,570			637,570	528,721	108,849
Gifts and Grants	18,703			18,703	8,584	10,119
Bond Service Fund						
Bond & Interest	560,368			560,368	560,368	0

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3 (Cont.)

Statement of Cash Receipts and Expenditures – Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

GENERAL FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem Current Tax	\$ 964,380	\$ 957,391	\$ 892,878	\$ 64,513
Delinquent Tax	17,914	8,655	14,547	(5,892)
Mineral Production Tax	1,761	1,388	0	1,388
Miscellaneous	17,151	17,232	0	17,232
State Sources				
General State Aid	3,495,441	3,711,533	3,773,982	(62,449)
Special Education Aid	580,946	695,986	834,369	(138,383)
ARRA Stabilization	98,352	0	0	0
Education Jobs Funds	172,213	2,475	0	2,475
Total Cash Receipts	<u>5,348,158</u>	<u>5,394,660</u>	<u>5,515,776</u>	<u>(121,116)</u>
Expenditures				
Instruction	2,790,799	2,759,255	2,835,439	76,184
Student Support Services	170,512	142,284	163,250	20,966
Instruction Support Staff	115,199	116,723	116,500	(223)
General Administration	211,853	178,234	184,200	5,966
School Administration	528,440	530,956	534,000	3,044
Student Transportation Services				
Supervision	25,042	25,059	30,900	5,841
Vehicle Operating Services	207,511	203,408	198,200	(5,208)
Vehicle Services & Maintenance Services	45,785	45,782	48,100	2,318
Other Supplemental Service	48,460	48,384	49,000	616
Fund Transfers				0
Bilingual Education	31,050	25,000	25,000	0
Capital Outlay	37,561	50,000	100,000	50,000
Special Education	580,946	796,695	834,369	37,674
Extraordinary School Program	0	7,000	0	(7,000)
Drivers Education	0	10,000	0	(10,000)
Professional Development	0	40,000	0	(40,000)
Textbook & Student Materials	0	0	7,938	7,938
Contingency Reserve	20,000	22,000	0	(22,000)
At Risk (4 yr old)	25,000	35,000	30,000	(5,000)
At Risk (K-12)	510,000	358,880	358,880	0
Adjustment to Comply with Legal Max	0	0	(138,348)	(138,348)
Legal Maximum General Fund Budget	5,348,158	5,394,660	5,377,428	(17,232)
Adjustment for Qualifying Budget Credits	0	0	17,232	17,232
Total Expenditures & Transfers	<u>5,348,158</u>	<u>5,394,660</u>	<u>\$ 5,394,660</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, July 1	0	0		
Unencumbered Cash, June 30	<u>\$ 0</u>	<u>\$ 0</u>		

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



Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-1(Cont.)

Statement of Cash Receipts and Expenditures – Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

SUPPLEMENTAL GENERAL – LOCAL OPTION BUDGET

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem Current Tax	\$ 1,273,412	\$ 1,213,974	\$ 1,115,439	\$ 98,535
Delinquent Tax	20,817	12,562	19,477	(6,915)
Motor Vehicle Tax	98,132	109,848	128,717	(18,869)
16-20M Truck Tax	6,614	8,991	0	8,991
Recreational Vehicle Tax	2,795	2,687	3,424	(737)
Excise Tax	0	89	0	89
Reimbursements	4,800	1,228	0	1,228
State Sources				
Supplemental State Aid	451,375	466,392	449,599	16,793
Total Cash Receipts	<u>1,857,945</u>	<u>1,815,771</u>	<u>1,716,656</u>	<u>99,115</u>
Expenditures				
Instruction	207,369	255,532	239,000	(16,532)
Student Support Services	2,831	3,455	2,000	(1,455)
Instructional Support	7,383	14,690	9,000	(5,690)
General Administration	41,295	39,725	53,000	13,275
School Administration	9,363	8,864	10,500	1,636
Operations & Maintenance	768,991	901,786	773,950	(127,836)
Vehicle Operating Services	167,143	101,210	82,000	(19,210)
Vehicle Service & Maintenance	0	28,107	40,000	11,893
Other Supplemental Service	3,298	3,240	237,429	234,189
Fund Transfers				
Extraordinary School Program	7,000	0	0	0
Vocational Education	155,527	175,000	200,000	25,000
Food Service	100,000	0	30,000	30,000
Professional Development	40,000	0	0	0
At Risk Four Year Old	7,800	0	0	0
At Risk K-12	0	121,120	141,120	20,000
Drivers Education	5,000	0	0	0
Textbook & Materials	40,000	70,000	2,793	(67,207)
Special Education	200,000	99,291	0	(99,291)
Adjustment for Qualifying Budget Credits	0	0	1,228	1,228
Total Expenditures	<u>1,763,000</u>	<u>1,822,020</u>	<u>\$ 1,822,020</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	94,945	(6,249)		
Unencumbered Cash, July 1	9,191	104,136		
Unencumbered Cash, June 30	<u>\$ 104,136</u>	<u>\$ 97,887</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-2

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

AT RISK FOUR YEAR OLD

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfer from General	\$ 25,000	\$ 35,000	\$ 30,000	\$ 5,000
Transfer from Supplemental General	7,800	0	0	0
Total Cash Receipts	<u>32,800</u>	<u>35,000</u>	<u>30,000</u>	<u>5,000</u>
Expenditures				
Instruction	32,863	34,419	45,481	11,062
Total Expenditures	<u>32,863</u>	<u>34,419</u>	<u>\$ 45,481</u>	<u>\$ 11,062</u>
Receipts Over (Under) Expenditures	(63)	581		
Unencumbered Cash, July 1	<u>15,544</u>	<u>15,481</u>		
Unencumbered Cash, June 30	<u>\$ 15,481</u>	<u>\$ 16,062</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-3

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

AT RISK (K – 12)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfer from General	\$ 510,000	\$ 358,880	\$ 358,880	\$ 0
Transfer from Supplemental General	0	121,120	141,120	(20,000)
Total Cash Receipts	<u>510,000</u>	<u>480,000</u>	<u>500,000</u>	<u>(20,000)</u>
Expenditures				
Instruction	509,841	470,742	504,566	33,824
Total Expenditures	<u>509,841</u>	<u>470,742</u>	<u>\$ 504,566</u>	<u>\$ 33,824</u>
Receipts Over (Under) Expenditures	159	9,258		
Unencumbered Cash, July 1	<u>4,407</u>	<u>4,566</u>		
Unencumbered Cash, June 30	<u>\$ 4,566</u>	<u>\$ 13,824</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-4

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

BILINGUAL EDUCATION

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfer from General	\$ 31,050	\$ 25,000	\$ 25,000	\$ 0
Transfer from Supplemental General	0	0	0	0
Total Cash Receipts	<u>31,050</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>
Expenditures				
Instruction	24,473	26,272	31,577	5,305
Total Expenditures	<u>24,473</u>	<u>26,272</u>	<u>\$ 31,577</u>	<u>\$ 5,305</u>
Receipts Over (Under) Expenditures	6,577	(1,272)		
Unencumbered Cash, July 1	0	6,577		
Unencumbered Cash, June 30	<u>\$ 6,577</u>	<u>\$ 5,305</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-5

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

VOCATIONAL EDUCATION FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfer from General	\$ 0	\$ 0	\$ 0	\$ 0
Transfer from Supplemental General	155,527	175,000	200,000	(25,000)
Other Local Revenue	93	2,002	0	2,002
Total Cash Receipts	<u>155,620</u>	<u>177,002</u>	<u>200,000</u>	<u>(22,998)</u>
Expenditures				
Instruction	130,369	183,398	246,774	63,376
Total Expenditures	<u>130,369</u>	<u>183,398</u>	<u>\$ 246,774</u>	<u>\$ 63,376</u>
Receipts Over (Under) Expenditures	25,251	(6,396)		
Unencumbered Cash, July 1	<u>21,523</u>	<u>46,774</u>		
Unencumbered Cash, June 30	<u>\$ 46,774</u>	<u>\$ 40,378</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-6

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

SPECIAL EDUCATION FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfer from General	\$ 580,946	\$ 796,695	\$ 834,369	\$ (37,674)
Transfer from Supplemental General	200,000	99,291	0	99,291
Other Local Revenues	0	2,444	0	2,444
Total Cash Receipts	<u>780,946</u>	<u>898,430</u>	<u>834,369</u>	<u>64,061</u>
Expenditures				
Instruction	742,433	812,898	1,104,535	291,637
Student Transportation	51,263	62,231	69,000	6,769
Total Expenditures	<u>793,696</u>	<u>875,129</u>	<u>\$ 1,173,535</u>	<u>\$ 298,406</u>
Receipts Over (Under) Expenditures	(12,750)	23,301		
Unencumbered Cash, July 1	<u>351,916</u>	<u>339,166</u>		
Unencumbered Cash, June 30	<u>\$ 339,166</u>	<u>\$ 362,467</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-7

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

FOOD SERVICE FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Intergovernmental Receipts				
Federal Aid	\$ 192,337	\$ 210,667	\$ 270,913	\$ (60,246)
State Aid	4,588	4,525	5,390	(865)
Food Service				
Student Sales	176,560	173,719	270,050	(96,331)
Adult & Student (non-reimbursement)	16,325	17,139	27,090	(9,951)
Miscellaneous	60	360	0	360
Transfer from General	0	0	0	0
Transfer from Supplemental General	100,000	0	30,000	(30,000)
Total Cash Receipts	<u>489,870</u>	<u>406,410</u>	<u>603,443</u>	<u>(197,033)</u>
Expenditures				
Operations & Maintenance	10,834	5,887	232,020	226,133
Food Service Operation	450,421	442,690	518,200	75,510
Total Expenditures	<u>461,255</u>	<u>448,577</u>	<u>\$ 750,220</u>	<u>\$ 301,643</u>
Receipts Over (Under) Expenditures	28,615	(42,167)		
Unencumbered Cash, July 1	135,131	163,746		
Unencumbered Cash, June 30	<u>\$ 163,746</u>	<u>\$ 121,579</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-8

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

DRIVER TRAINING FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State Driver Training	\$ 3,404	\$ 4,324	\$ 4,810	\$ (486)
Payments from Individuals	7,650	7,155	12,000	(4,845)
Transfer from General	0	10,000	0	
Transfer from Supplemental General	5,000	0	0	0
Total Cash Receipts	<u>16,054</u>	<u>21,479</u>	<u>16,810</u>	<u>(5,331)</u>
Expenditures				
Instruction	8,191	8,394	26,250	17,856
Vehicle Operations & Maintenance	3,627	18,986	33,583	14,597
Total Expenditures	<u>11,818</u>	<u>27,380</u>	<u>\$ 59,833</u>	<u>\$ 32,453</u>
Receipts Over (Under) Expenditures	4,236	(5,901)		
Unencumbered Cash, July 1	<u>38,787</u>	<u>43,023</u>		
Unencumbered Cash, June 30	<u>\$ 43,023</u>	<u>\$ 37,122</u>		

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



Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-9

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

CAPITAL OUTLAY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
General Property Tax				
Ad Valorem Current Tax	\$ 4,646	\$ 104,228	\$ 99,450	\$ 4,778
Delinquent Tax	4,215	1,322	21	1,301
Motor Vehicle Tax	19,331	6,659	8,424	(1,765)
16-20M Truck Tax	1,703	920	224	696
Recreational Vehicle Tax	540	171	0	171
Excise Tax	0	9	0	9
Interest on Idle Funds	24,088	20,732	0	20,732
Other Local Revenues	38,225	35,374	0	35,374
Federal Aid - Flood Allocation	290	695	0	695
Transfer from General Fund	37,561	50,000	100,000	(50,000)
<b>Total Cash Receipts</b>	<u>130,599</u>	<u>220,110</u>	<u>208,119</u>	<u>11,991</u>
<b>Expenditures</b>				
Property & Equipment	110,643	214,486	510,000	295,514
Building Improvements	65,834	191,022	277,074	86,052
Architect & Engineering	0	22,106	0	(22,106)
<b>Total Expenditures</b>	<u>176,477</u>	<u>427,614</u>	<u>\$ 787,074</u>	<u>\$ 359,460</u>
Receipts Over (Under) Expenditures	(45,878)	(207,504)		
Unencumbered Cash, July 1	720,716	674,838		
<b>Unencumbered Cash, June 30</b>	<u>\$ 674,838</u>	<u>\$ 467,334</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-10

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

SUMMER SCHOOL

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Fees	\$ 0	\$ 0	\$ 0	\$ 0
Transfer from Supplemental General	0	0	0	0
Total Cash Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Instruction	0	0	17,480	17,480
Operations & Maintenance	0	0	500	500
Other Supplemental Services	0	0	860	860
Total Expenditures	<u>0</u>	<u>0</u>	<u>\$ 18,840</u>	<u>\$ 18,840</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, July 1	<u>18,840</u>	<u>18,840</u>		
Unencumbered Cash, June 30	<u>\$ 18,840</u>	<u>\$ 18,840</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-11

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

PROFESSIONAL DEVELOPMENT

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State Inservice Aid	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous Reimbursement	0	23	0	23
Transfer from General	0	40,000	0	40,000
Transfer from Supplemental General	40,000	0	0	0
Total Receipts	<u>40,000</u>	<u>40,023</u>	<u>0</u>	<u>40,023</u>
Expenditures				
Instructional Support Staff	9,981	19,660	73,454	53,794
Other Supplemental Services	0	0	0	0
Total Expenditures	<u>9,981</u>	<u>19,660</u>	<u>\$ 73,454</u>	<u>\$ 53,794</u>
Receipts Over (Under) Expenditures	30,019	20,363		
Unencumbered Cash, July 1	<u>43,435</u>	<u>73,454</u>		
Unencumbered Cash, June 30	<u>\$ 73,454</u>	<u>\$ 93,817</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-12

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

EXTRAORDINARY SCHOOL PROGRAM

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Enrollment Fees	\$ 20,643	\$ 17,128	\$ 29,000	\$ (11,872)
Grants & Donations	2,214	1,037	0	1,037
Transfer from General	0	7,000	0	7,000
Transfer from Supplemental General	7,000	0	0	0
Total Receipts	<u>29,857</u>	<u>25,165</u>	<u>29,000</u>	<u>(3,835)</u>
Expenditures				
Instruction	24,184	26,213	42,650	16,437
Total Expenditures	<u>24,184</u>	<u>26,213</u>	<u>\$ 42,650</u>	<u>\$ 16,437</u>
Receipts Over (Under) Expenditures	5,673	(1,048)		
Unencumbered Cash, July 1	<u>21,013</u>	<u>26,686</u>		
Unencumbered Cash, June 30	<u>\$ 26,686</u>	<u>\$ 25,638</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-13

Statement of Cash Receipts and Expenditures – Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

KPERS RETIREMENT

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State of Kansas KPERS	\$ 339,133	\$ 528,721	\$ 637,570	\$ (108,849)
Total Cash Receipts	<u>339,133</u>	<u>528,721</u>	<u>637,570</u>	<u>(108,849)</u>
Expenditures				
KPERS Retirement Contribution				
Instructional Employees	235,358	366,933	442,473	75,540
Student Support	11,870	18,505	22,315	3,810
Instructional Support	6,783	10,574	12,751	2,177
General Administration	10,513	16,390	19,765	3,375
School Administration	35,270	54,987	66,307	11,320
Other Supplemental Services	3,391	5,287	6,376	1,089
Operations & Maintenance	18,652	29,080	35,066	5,986
Student Transportation	5,087	7,931	9,564	1,633
Food Service	12,209	19,034	22,953	3,919
Total Expenditures	<u>339,133</u>	<u>528,721</u>	<u>\$ 637,570</u>	<u>\$ 108,849</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, July 1	<u>0</u>	<u>0</u>		
Unencumbered Cash, June 30	<u>\$ 0</u>	<u>\$ 0</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-14

Statement of Cash Receipts and Expenditures – Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

GIFTS AND GRANTS

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Contributions & Donations	\$ 0	\$ 8,876	\$ 0	\$ 8,876
Total Cash Receipts	<u>0</u>	<u>8,876</u>	<u>0</u>	<u>8,876</u>
Expenditures				
Supplies	0	8,584	18,703	10,119
Total Expenditures	<u>0</u>	<u>8,584</u>	<u>\$ 18,703</u>	<u>\$ 10,119</u>
Receipts Over (Under) Expenditures	0	292		
Unencumbered Cash, July 1	<u>18,703</u>	<u>18,703</u>		
Unencumbered Cash, June 30	<u>\$ 18,703</u>	<u>\$ 18,995</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-15

Statement of Cash Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

TEXTBOOK RENTAL FUND

	Prior Year Actual	Current Year Actual
Cash Receipts		
Student Receipts	\$ 23,640	\$ 19,792
Transfer from Supp General	40,000	70,000
Total Cash Receipts	<u>63,640</u>	<u>89,792</u>
Expenditures		
Textbooks & Materials	105,016	62,863
Other	0	0
Total Expenditures	<u>105,016</u>	<u>62,863</u>
Receipts Over (Under) Expenditures	(41,376)	26,929
Unencumbered Cash, July 1	84,604	43,228
Unencumbered Cash, June 30	<u>\$ 43,228</u>	<u>\$ 70,157</u>

Statement 3-16

CONTINGENCY RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfer from General	\$ 20,000	\$ 22,000
Total Cash Receipts	<u>20,000</u>	<u>22,000</u>
Expenditures		
Other	0	0
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	20,000	22,000
Unencumbered Cash, July 1	288,285	308,285
Unencumbered Cash, June 30	<u>\$ 308,285</u>	<u>\$ 330,285</u>

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-17

Statement of Cash Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2012

FEDERAL GRANTS

	Title I	Title II A Teacher Quality	Rural Education
	<u>          </u>	<u>          </u>	<u>          </u>
Cash Receipts			
Intergovernmental	\$ 129,829	\$ 37,861	\$ 15,757
Other	<u>          0</u>	<u>          0</u>	<u>          0</u>
Total Cash Receipts	<u>129,829</u>	<u>37,861</u>	<u>15,757</u>
Expenditures			
Instruction	<u>129,829</u>	<u>37,861</u>	<u>15,757</u>
Total Expenditures	<u>129,829</u>	<u>37,861</u>	<u>15,757</u>
Receipts Over (Under) Expenditures	0	0	0
Unencumbered Cash, July 1	<u>          0</u>	<u>          0</u>	<u>          0</u>
Unencumbered Cash, June 30	<u><u>\$          0</u></u>	<u><u>\$          0</u></u>	<u><u>\$          0</u></u>

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



Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-18

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

REDEMPTION FUND

	Prior Year Actual	Current Year Actual
	<u>          </u>	<u>          </u>
Cash Receipts		
Investment Income	\$          0	\$      4,039
Transfer from School Improvement Fund	0	1,940,000
Total Cash Receipts	<u>                  0</u>	<u>     1,944,039</u>
 Expenditures		
Bond Payment	<u>                  0</u>	<u>                  0</u>
Total Expenditures	<u>                  0</u>	<u>                  0</u>
 Receipts Over (Under) Expenditures	0	1,944,039
Unencumbered Cash, July 1	<u>                  0</u>	<u>                  0</u>
Unencumbered Cash, June 30	<u>\$                  0</u>	<u>\$     1,944,039</u>

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-19

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

BOND AND INTEREST FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
General Property Taxes				
Ad Valorem Tax	\$ 459,792	\$ 428,672	\$ 404,152	\$ 24,520
Delinquent Tax	6,408	4,522	7,025	(2,503)
Motor Vehicle (includes 16/20M tax)	47,844	44,902	48,604	(3,702)
Recreational Vehicle	1,263	1,013	1,293	(280)
Excise Tax	0	34	0	34
Intergovernmental				
State Aid	52,187	61,640	61,530	110
Transfer from Improvement Fund	0	110,000	110,000	0
<b>Total Cash Receipts</b>	<u>567,494</u>	<u>650,783</u>	<u>632,604</u>	<u>18,179</u>
<b>Expenditures</b>				
Principal	100,000	130,000	130,000	0
Interest	436,693	430,368	430,368	0
Commission & Postage	0	0	0	0
<b>Total Expenditures</b>	<u>536,693</u>	<u>560,368</u>	<u>\$ 560,368</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	30,801	90,415		
Unencumbered Cash, July 1	347,059	377,860		
Unencumbered Cash, June 30	<u>\$ 377,860</u>	<u>\$ 468,275</u>		

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-20

Statement of Cash Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

SCHOOL IMPROVEMENT FUND

	Prior Year Actual	Current Year Actual
	<u>Actual</u>	<u>Actual</u>
Cash Receipts		
Bond Proceeds	\$ 0	\$ 0
Investment Income	17,493	2,744
Total Cash Receipts	<u>17,493</u>	<u>2,744</u>
Expenditures		
Purchased Professional & Technical Services	0	0
Architectural & Engineering	50,524	0
New Building Construction	0	45,956
Other Bond Expenses	89,201	0
Transfer to Bond & Interest Fund	0	110,000
Transfer to Redemption Fund	0	1,940,000
Total Expenditures	<u>139,725</u>	<u>2,095,956</u>
Receipts Over (Under) Expenditures	(122,232)	(2,093,212)
Unencumbered Cash, July 1	<u>2,218,462</u>	<u>2,096,230</u>
Unencumbered Cash, June 30	<u>\$ 2,096,230</u>	<u>\$ 3,018</u>

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 3-21

Statement of Cash Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

PRIVATE PURPOSE TRUST FUNDS

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Donations & Memorials	\$ 9,900	\$ 7,097
Expenditures		
Student Activities	6,115	8,647
Excess of Receipts Over (Under) Expenditures	3,785	(1,550)
Unencumbered Cash, July 1	11,653	15,438
Unencumbered Cash, June 30	<u>\$ 15,438</u>	<u>\$ 13,888</u>

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 4

Statement of Cash Receipts and Cash Disbursements  
For the Fiscal Year Ended June 30, 2012

AGENCY FUNDS

	Cash Balance 7/1/2011	Receipts	Disbursements	Cash Balance 6/30/2012
Student Organization Accounts				
Council Grove Elementary/Middle School				
Pep Club	\$ 91	\$ 0	\$ 0	\$ 91
Student Council	2,575	187	1,872	890
8th Grade	0	4,581	2,929	1,652
7th Grade	620		620	0
K-6th Grade	1,686	566	2,252	0
Band	748	428	382	794
Honor Choir	261	479	520	220
Cheerleaders	415	5,249	5,246	418
P.T.O. Student Assistance	1,862	2,608	3,084	1,386
Council Grove High School				
Seniors	2,254	1,857	2,248	1,863
Juniors	845	8,966	8,611	1,200
Sophomores	1,026	270	740	556
Freshman	0	669	669	0
Band	233	809	850	192
F.F.A.	492	20,642	19,860	1,274
F.F.A. - Sigle Memorial	0			0
F.C.A.	209	175	209	175
Kayettes	669	1,184	1,244	609
C.G. Club	0			0
F.B.L.A.	1,783	7,234	8,061	956
F.C.C.L.A.	2,119	513	1,125	1,507
F.A.C.S.	4	2,919	2,042	881
Art Club	811	341	814	338
Spanish Club	19	529	534	14
Student Senate	1,593	8,894	8,874	1,613
Key Club	945	1,747	1,383	1,309
Technology Club	277	0	168	109
Robotics	0	269	427	(158)
Yearbook (Annual)	4,677	9,159	12,092	1,744
Trail Blazer	354	1	0	355
Letterman's Club	0	85	0	85
Cheerleaders	624	6,372	6,333	663
National Honor Society	341	744	996	89
Bravettes	226	6,613	4,745	2,094
Prairie Production	171	0	0	171
Scholars Bowl	548	1,445	1,146	847
Brave Voices	1,839	2,061	3,328	572
Helium Balloons	426	1	0	427
Library	0	427	395	32
CG Players	1,397	4,425	4,448	1,374
Total Forward	<u>\$ 32,140</u>	<u>\$ 102,449</u>	<u>\$ 108,247</u>	<u>\$ 26,342</u>

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 4 (Cont.)

Statement of Cash Receipts and Cash Disbursements  
For the Fiscal Year Ended June 30, 2012

AGENCY FUNDS

	Cash Balance 7/1/2011	Receipts	Disbursements	Cash Balance 6/30/2012
Total Brought Forward	\$ 32,140	\$ 102,449	\$ 108,247	\$ 26,342
Prairie Heights Elementary				
Student Council	1,338	112	0	1,450
Classes	0	44	44	0
Prairie Heights Middle School				
Pep Club	339	4	0	343
8th Grade	1,355	3,004	2,855	1,504
1 - 6th Grade	76	174	124	126
Band	950	394	163	1,181
Student Council	1,237	6,008	6,136	1,109
Total Student Organization Funds	<u>\$ 37,435</u>	<u>\$ 112,189</u>	<u>\$ 117,569</u>	<u>\$ 32,055</u>
Clearing Funds				
Council Grove Elementary/Middle School	\$ 0	\$ 31	\$ 31	\$ 0
Council Grove High School	0	4,518	4,518	0
Prairie Heights Elementary School	6	70	74	2
Prairie Heights Middle School	118	308	318	108
Total Clearing Funds	<u>\$ 124</u>	<u>\$ 4,927</u>	<u>\$ 4,941</u>	<u>\$ 110</u>
Total Agency Funds	<u>\$ 37,559</u>	<u>\$ 117,116</u>	<u>\$ 122,510</u>	<u>\$ 32,165</u>

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

Morris County Unified School District No. 417  
Council Grove, Kansas

Statement 5

Statement of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Fiscal Year Ended June 30, 2012

DISTRICT ACTIVITY FUNDS

	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts						
CGMS Student Athletics	\$ 2,027	\$ 13,882	\$ 11,240	\$ 4,669	\$ 0	\$ 4,669
CGHS Student Athletics	9,196	84,768	86,343	7,621	0	7,621
PHMS Student Athletics	4,760	3,642	2,729	5,673	0	5,673
Total Gate Receipts	<u>15,983</u>	<u>102,292</u>	<u>100,312</u>	<u>17,963</u>	<u>0</u>	<u>17,963</u>
School Projects						
Council Grove High School						
Vo-Ag	2,283	5,125	6,659	749	0	749
Art	2,031	4,290	4,516	1,805	0	1,805
Total School Projects	<u>4,314</u>	<u>9,415</u>	<u>11,175</u>	<u>2,554</u>	<u>0</u>	<u>2,554</u>
Total District Activity Funds	<u>\$ 20,297</u>	<u>\$ 111,707</u>	<u>\$ 111,487</u>	<u>\$ 20,517</u>	<u>\$ 0</u>	<u>\$ 20,517</u>

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

Morris County Unified School District No. 417  
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - 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 expenditures and residual cash balances, and changes within, 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.

Governmental Funds

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

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

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

Capital Project Fund--to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds.)

Fiduciary Funds

Trust and Agency Funds--to account for assets held in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. These include Private Purpose Trust Funds and Agency Funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 417 was organized in accordance with State Statutes to provide a system of public education to elementary through high school students, which reside within the designated District areas. USD No. 417 is a municipal corporation governed by an elected seven member board of education. Governmental accounting standards define the financial reporting entity as a primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The basic criterion for including a potential component unit organization within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to the selection of governing authority, the designation of management, the ability to significantly influence operations, accountability for fiscal matters or the existence of special financing relationships. Based on the foregoing criteria, no financial statements of any other entity are included in the accompanying financial statements. The District does participate with other Districts in the Flint Hills Special Education Cooperative, which is administered by USD 253, Emporia, Kansas. The extent of USD 417's involvement was to pay tuition fees for students for the year ended June 30, 2012 and to participate in the board of directors by appointing a representative. The Flint Hills Special Education Cooperative is not considered to be a component unit of USD 417.



Morris County Unified School District No. 417  
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

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 would be charged in the fund from which the transfer is made.

The District as provided by Kansas Statute 75-1120a(c) has approved a resolution waiving the requirement for application of generally accepted accounting principles and allowing USD 417 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, 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 municipality are not presented in the financial statements. Also, long-term debt such as general or revenue obligation bonds, temporary notes, capital leases and compensated absences are not presented in the financial statements.

Reimbursements

A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, USD 417 records an expenditure in the reimbursing fund, and a reduction of expenditure in the reimbursed fund.

NOTE 3 – STATUTORY PRESENTATION-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) require 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 amounts of general State aid paid to USD 417 in July of the subsequent fiscal year and recorded as June revenue are as follows:

<u>Fund</u>	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>
General	\$ 409,282	\$ 318,643
Supplemental General	27,372	268,817

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NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description - USD 417, Council Grove, Kansas 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. This report may be obtained by writing to KPERs (611 S. Kansas Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% or 6% of covered salary, depending on eligibility date. 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 State of Kansas contributed 9.77% of covered payroll for the period July 1, 2011 to June 30, 2012 and it will contribute 10.37% for the period of July 1, 2012 to June 30, 2013. These contribution requirements are established by KPERs and are periodically revised. Kansas' contributions to KPERs for school municipality 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 statutory required contributions for each year.

Beginning with the fiscal year ended June 30, 2005, the State began remitting to each School District the State's KPERs contribution for their District. The School Districts then remit this contribution to KPERs. USD 417 accounted for this activity through the KPERs Retirement Fund.

NOTE 5 - 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. Although directory rather than mandatory, 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 eighteen month period 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.

After the listed procedures have been followed, the Kansas State Board of Education computes what the maximum legal general fund budget of operating expenses can be. For the fiscal year ended June 30, 2012, the State calculation of the legal maximum general fund budget was \$5,377,428 and the Supplemental General Fund Budget \$1,848,853. In accordance with Kansas statutes, a district will be penalized state aid equal to the amount expended in excess of the computed statutory limitation plus any qualifying budget credits. The District was within its maximum legal general fund budget and its supplemental general fund budget authority for the fiscal year ended June 30, 2012.

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 amended its General Fund for the fiscal year ended June 30, 2012.

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

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June 30, 2012

NOTE 5 - BUDGETARY INFORMATION (CONT)

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 trust and agency funds, and the following special revenue funds: Textbook Rental, Contingency Reserve, Federal & State Grant Funds, School Improvement Fund, Redemption Fund and District Activity Funds.

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

Statement 2 presents budgetary comparison of the actual data on the budgetary basis, which includes encumbrances and transfers with the legally adopted budget. Because of tax levying dates, it is necessary that budget expenditures and revenues are estimated for an additional six-month period on its budget, which has not been included on Statement 2.

Property taxes are levied by the Kansas Counties in which the School District resides on November 1 and are payable in two installments on December 20 and May 10 of the subsequent year. The Counties collect and distribute in the succeeding year all property taxes collected for the District. Therefore, taxes levied for the District on November 1, 2012 will be distributed to the District by the County during 2013.

NOTE 6 - COMPENSATED ABSENCES AND FRINGE BENEFITS FOR FULL TIME EMPLOYEES

U.S.D. 417 maintains an Internal Revenue Code Section 125 cafeteria plan. The amount of salary to be reduced shall not exceed the sum authorized by the Internal Revenue Code. Employees may select any combination of health insurance, salary protection insurance, cancer insurance, unreimbursed medical expenses, and daycare expenses as nontaxable fringe benefits.

U.S.D. 417 contributes an amount equal to the annual premium of a single health insurance plan for certified instructional personnel. For all other employees, the benefit is prorated. For those employed prior to the 1993-94 school year, a cash option was available, allowing employees to receive the health benefit in cash less applicable withholding taxes and U.S.D. 417's obligation for social security, medicare, and unemployment. Current employees who drop their participation in the health plan will not be eligible for the cash option.

U.S.D. 417's personnel earn ten days of sick leave per contract year. Any employee who completes a year with more than sixty days of accrued sick leave will be reimbursed at twenty-five dollars per day for each day in excess of sixty days. Upon separation of service, any unused sick leave is lost. Instructional personnel may take two days of personal leave per year and may accumulate up to six personal days. Provisions provide for legal leave, emergency leave, sabbatical leave, leave without pay, and professional leave. These may or may not result in a deduction in pay depending on determinations from the school board. The District also has adopted a Family Medical Leave policy.

Vacation pay is earned by twelve month employees as follows: first contract year = 5 days; second to tenth contract year = 10 days; eleventh to fifteenth contract year = 15 days; and sixteenth contract year and beyond = 20 days. No more than five vacations days may be carried over each year. A grandfather provision allows some employees a greater carryover. This carryover equals the amount of vacation time accumulated as of June 30, 1999 plus five days. No estimate has been made of the total amounts of accumulated leave nor has any amount been reported in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

The District provides an early retirement program as described in the District's negotiated agreement with certified personnel. As a measure of appreciation for their services, the district offers an early retirement cash benefit. This benefit is based on the retiree's salary at the time of retirement times the combined factors of age, years of experience in USD 417, and column placement on the salary schedule. The age factor provides a 5-15% benefit; the years in the district factor add between 4-15%; and the column placement factor results in a 1-5% benefit. Employees must submit a written request to the USD 417 Board of Education prior to April 1 preceding the anticipated retirement date. To correspond with KPERS retirement dates, teachers may elect June 1, July 1 or August 1 as the retirement date. The cash benefit is paid on the retirement date into an employer sponsored 403(b) account.

The district also provides health insurance to early retirees. Those eligible include retirees less than age 60 with 10 years of continuous employment in the district and KPERS qualified 85 points for retirement. The monthly contribution amount is limited to the amount contributed to a currently employed certified teacher for membership in the district health plan. The maximum benefit is for three years. Retirees between the ages of 60 and 64 with 5 years of continuous employment in the district receive a monthly contribution amount equal to the amount contributed to a currently employed certified teacher for membership in the district health plan until the retiree reaches age 65.

The District finances these benefits on a pay-as-you-go basis. Costs associated with these benefits for the fiscal years ended June 30, 2010, 2011, and 2012 were \$44,010, \$115,938, and \$109,291 respectively, for the retiree participants. These expenditures have been included as part of the General Fund. An estimate has not been made of the total amount of post employment benefit liability of the District or reported in the 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.

NOTE 8 - TRANSFERS

Transfers between budgetary funds are for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenues. Operating transfers during the fiscal year ended June 30, 2012 consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Special Education	72-6428	\$796,695
General	At Risk K-12	72-6428	358,880
General	Contingency Reserve	72-6428	22,000
General	Capital Outlay	72-6428	50,000
General	At Risk 4 yr old	72.6428	35,000
General	Bilingual Education	72-6428	25,000
General	Driver Training	72-6428	10,000
General	Extraordinary School Program	72-6428	7,000
General	Professional Development	72-6428	40,000
Supplemental General	Special Education	72-6433	99,291
Supplemental General	Vocational Education	72-6433	175,000
Supplemental General	Textbook & Student Materials	72-6433	70,000
Supplemental General	At Risk K-12	72-6433	121,120
School Improvement Fund	Redemption Fund	10-117	1,940,000
School Improvement Fund	Bond & Interest Fund	10-117	110,000

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE 9 - DEPOSITS AND INVESTMENTS

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

K.S.A. 12-1675 limits the Government'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 Government has no investment policy that would further limit its investment choices.

Concentration of credit risk -- State statutes place no limit on the amount the Government 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. State statutes require the Government'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%. USD 417 has not designated peak periods.

At June 30, 2012, USD 417's carrying amount of deposits was \$4,985,550 and the bank balance was \$5,234,176. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$1,078,961 was covered by federal depository insurance, \$4,151,893 was collateralized with securities held by the pledging financial institutions' agents in USD 417's name and \$3,322 was unsecured. All deposits were not legally secured at June 30, 2012.

Custodial credit risk-investments-- For an investment, this is the risk that, in the event of the failure of the issuer or counter party, the Government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside part. State statutes require investments to be adequately secured.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Insurance claims have not exceeded commercial coverage for the past three years. There were no significant reductions in insurance coverage from coverage in prior years.

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

NOTE 11- LONG-TERM DEBT

On October 9, 2009, \$500,000 of General Obligation Bonds Series 2008-A were sold at an interest rate of 2.75% and maturity date of April 1, 2009. On November 12, 2009, \$8,760,000 of General Obligation Bonds Series 2008-B were sold at interest rates of 4.65% to 6% for a net interest cost of 4.90% over the life of the bonds. The Series 2008-A bond principal of \$500,000 and interest of \$1,833 were paid off with proceeds of the Series 2008-B Bonds. The remainder of the bond proceeds was used to make improvements to the existing Council Grove High School, to pay interest on the bonds during construction, and to pay for the cost of issuance of the bonds. The first interest payment for the Series 2008-B was made on March 1, 2009 and the final payment of principal and interest is scheduled on September 1, 2028. The payments are made from the Bond & Interest Fund.

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds:										
Series 2008-B	4.65-6%	11/12/2009	8,760,000	9/1/28	8,555,000	0	130,000	0	8,425,000	430,368
Total long-term debt					<u>\$ 8,555,000</u>	<u>\$ 0</u>	<u>\$ 130,000</u>	<u>\$ 0</u>	<u>\$ 8,425,000</u>	<u>\$ 430,368</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018-2022</u>	<u>2023-2027</u>	<u>2028-2030</u>	<u>Total</u>
PRINCIPAL									
GO Bonds	\$ 170,000	\$ 195,000	\$ 220,000	\$ 250,000	\$ 285,000	\$ 2,070,000	\$ 3,395,000	\$ 1,840,000	\$ 8,425,000
INTEREST									
GO Bonds	<u>422,117</u>	<u>412,080</u>	<u>400,668</u>	<u>387,742</u>	<u>373,030</u>	<u>1,562,563</u>	<u>902,751</u>	<u>94,000</u>	<u>4,554,951</u>
Total Principal and Interest	<u>\$ 592,117</u>	<u>\$ 607,080</u>	<u>\$ 620,668</u>	<u>\$ 637,742</u>	<u>\$ 658,030</u>	<u>\$ 3,632,563</u>	<u>\$ 4,297,751</u>	<u>\$ 1,934,000</u>	<u>\$ 12,979,951</u>

NOTE 12- 2011 FINANCIAL DATA

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.

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NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 13 – CAPITAL PROJECT

The District has substantially completed the improvements and additions to the existing Council Grove High School. Construction, architectural and engineering cash disbursements and accounts payable from inception to June 30, 2012 on the high school addition are \$7,468,992, including a short term bond principal & interest payment of \$501,833. The actual cost of the project was significantly less than expected due to the recession and low construction bids. Since the District has a surplus of original bond proceeds not needed to finance the cost of improvements to the High School, a resolution was passed on October 10, 2011 creating a Redemption Fund. \$1,940,000 of surplus bond proceeds has been transferred to this Redemption Fund for the purpose of retiring a portion of the outstanding bonds early as allowable or to pay a portion of the debt service requirements as they come due. The District also transferred \$110,000 of the surplus to the Bond & Interest Fund to be used for scheduled bond debt service payments.

NOTE 14 - COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports, Department of Education, and interpretation by the County Attorney and legal representatives of the municipality.

Deposits were not adequately secured at all times in accordance with K.S.A. 9-1402.

Management is not aware of any other statutory violations for the period covered by this audit.

NOTE 15 – 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 are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The District's June 30, 2010 audit contained a questioned cost in a Federal program in the amount of \$39,032. The pass through entity, the Kansas State Department of Education, has not yet resolved this issue but it is expected that this will result in a liability to the General Fund. No provision has been reported in these financial statements. In management's opinion, any other disallowed claims will not have a material effect on the financial statements of the District at June 30, 2012.