

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2012

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

For the Year Ended June 30, 2012

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Shareholder

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Unified School District No. 432
Victoria, Kansas 67671

We have audited the accompanying financial statements of the Unified School District No. 432, Victoria, 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 or summarized comparative information has been derived from the District's June 30, 2011 financial statements and, in our report dated October, 20, 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 and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As described more fully in Note A, the District has prepared these financial statements using the accounting practices prescribed or permitted by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States

of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2012, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the District, as of June 30, 2012, and its respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Unified School District 432's financial statements as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


Gudenkauf & Malone, Inc

Russell, Kansas
October 29, 2012

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH

For the year ended June 30, 2012

	Beginning unencumbered cash balance	Prior year cancelled encumbrances	Cash receipts	Expenditures	Ending unencumbered cash balance	Add outstanding encumbrances and accounts payable	Statement 1 Ending cash balance
Budgeted funds							
General	\$ -	\$ -	\$ 1,951,614	\$ 1,951,614	\$ -	\$ 2,000	\$ 2,000
Local Option	59,785	-	686,979	688,032	58,732	-	58,732
Special revenue							
Capital outlay	178,459	-	365,846	227,031	317,274	71,005	388,279
Driver training	20	-	-	-	20	-	20
Food service	30,081	-	157,269	172,171	15,179	-	15,179
Inservice education	-	-	1,000	1,000	-	-	-
Special education	18,247	-	344,487	344,989	17,745	-	17,745
Vocational education	-	-	74,436	74,436	-	-	-
Recreation fund	1,312	-	42,553	41,530	2,335	-	2,335
Bond and Interest	442,314	-	600,788	414,540	628,562	-	628,562
Nonbudgeted funds							
Special revenue							
Athletics	23,453	-	64,685	64,066	24,072	-	24,072
Bond Proceeds	360,932	-	78	303,105	57,905	-	57,905
School projects	-	-	-	-	-	-	-
Fiduciary, expendable trust							
Gift fund-playground	10,368	-	1,668	-	12,036	-	12,036
Title I, Title II	-	-	33,947	33,947	-	-	-
REAP	-	-	23,078	23,078	-	-	-
At-Risk	-	-	41,580	41,580	-	-	-
Fiduciary and Trust							
KPERS	-	-	172,812	172,812	-	-	-
Total Reporting Entity (Excluding Agency Funds)	\$ 1,124,971	\$ -	\$ 4,562,820	\$ 4,553,931	\$ 1,133,860	\$ 73,005	\$ 1,206,865
						Money market	\$ 983,342
						Checking	171,887
						G.O. Bond	57,905
						Certificate of Deposit	15,000
						Total Cash	1,228,134
						Agency Funds Per Statement 4	(21,269)
						Total Reporting Entity (Excluding Agency Funds)	\$ 1,206,865

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
BUDGETED FUNDS ONLY

For the year ended June 30, 2012

Statement 2

Funds	Certified budget	Adjustment to comply with legal max	Total budget for comparison	Expenditures chargeable to current year	Variance- Under (Over)
General	\$ 1,969,002	\$ (17,388)	\$ 1,951,614	\$ 1,951,614	\$ -
Local option	688,034		688,034	688,032	2
Capital outlay	415,000	-	415,000	227,031	187,969
Food service	180,209	-	180,209	172,171	8,038
Inservice education	1,000	-	1,000	1,000	-
Special education	370,773	-	370,773	344,989	25,784
Vocational education	75,204	-	75,204	74,436	768
At Risk	44,982	-	44,982	41,580	3,402
Bond and Interest	414,540	-	414,540	414,540	-
Recreation	41,530	-	41,530	41,530	-
Total budgeted funds	\$ 4,200,274	\$ (17,388)	\$ 4,182,886	\$ 3,956,923	\$ 225,963

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012

With comparative actual amounts for the year ended June 30, 2011

GENERAL FUND

Statement 3
1 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
General property taxes				
Ad valorem property taxes	\$ 602,353	\$ 784,930	\$ 734,613	\$ 50,317
Delinquent tax	4,790	8,859	9,277	(418)
Intergovernmental revenues				
State equalization aid	1,134,807	889,183	980,961	(91,778)
Mineral production tax	40,470	43,499	-	43,499
ARRA Stabilization Aid	36,346	-	-	-
ARRA Education Job Fund	63,642	925	-	925
Special education aid	219,618	224,218	244,151	(19,933)
<u>Total cash receipts</u>	<u>2,102,026</u>	<u>1,951,614</u>	<u>\$ 1,969,002</u>	<u>\$ (17,388)</u>
Expenditures and transfers subject to legal max budget				
Instruction				
Certified salaries	746,707	751,721	822,172	70,451
Certified salaries - ARRA Stabilization Aid	33,301	-	-	-
Certified salaries - ARRA Ed Job	59,248	925	-	(925)
Early Retirement	13,541	9,353	-	(9,353)
Non-certified salaries	40,218	67,985	18,803	(49,182)
Employee insurance	175,208	195,652	207,350	11,698
Social security	62,502	59,688	61,608	1,920
Other employee benefit	6,961	9,561	7,212	(2,349)
Purchased professional/technical services	2,335	2,274	1,000	(1,274)
Tuition	-	378	-	(378)
Other purchased services	4,268	-	4,000	4,000
General supplies (teaching)	8,649	3,738	8,346	4,608
Textbooks	473	910	400	(510)
Student activities	9,781	17,053	7,000	(10,053)
Other	1,082	1,180	800	(380)
<u>Total instruction</u>	<u>1,164,274</u>	<u>1,120,418</u>	<u>1,138,691</u>	<u>18,273</u>
After school				
Non-certified salaries	8,613	11,037	-	(11,037)
Social security	654	789	-	(789)
Unemployment compensation	8	10	-	(10)
Other	(12,572)	(11,736)	-	11,736
<u>Total after school</u>	<u>(3,297)</u>	<u>100</u>	<u>-</u>	<u>(100)</u>

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012
With comparative actual amounts for the year ended June 30, 2011

GENERAL FUND - CONTINUED

Statement 3
1 of 17

	2012		Variance Under (Over)	
	2011	Actual		Budget
Expenditures and transfers - continued				
Student support services				
Certified salaries	34,706	41,784	41,784	-
Certified salaries - ARRA Stabilization Aid	3,045	-	-	-
Certified salaries - ARRA Ed Job	3,432	-	-	-
Non-Certified salaries	31,470	31,300	31,300	-
Employee insurance	13,985	15,720	16,367	647
Social security	5,192	5,224	5,202	(22)
Other employee benefit	333	362	335	(27)
Purchased professional/technical services	208	595	-	(595)
Supplies	621	654	-	(654)
Other	196	-	-	-
Total student support services	93,188	95,639	94,988	(651)
Instruction support staff				
Certified salaries	10,580	17,630	17,630	-
Certified salaries - ARRA Ed Job	962	-	-	-
Non-Certified salaries	528	28	600	572
Employee insurance	2,752	5,069	5,212	143
Social security	769	1,097	1,181	84
Other employee benefit	148	153	146	(7)
Books/periodicals	1,196	971	1,000	29
Audiovisual/instructional software	3,233	1,821	1,000	(821)
Miscellaneous supplies	-	1,053	-	(1,053)
Total instruction support staff	20,168	27,822	26,769	(1,053)
General administration				
Certified salaries	83,232	84,480	84,480	-
Non-certified salaries	22,812	23,429	23,111	(318)
Employee insurance	20,889	23,858	20,150	(3,708)
Social security	7,528	7,775	7,639	(136)
Other employee benefit	487	549	502	(47)
Purchased professional/technical services	9,442	9,180	7,000	(2,180)
Insurance	16,432	22,688	33,000	10,312
Communications	2,905	3,827	2,800	(1,027)
Other purchased services	3,575	4,635	1,500	(3,135)
Property	-	495	-	(495)
Supplies	2,300	1,845	2,000	155
Other	7,667	6,069	7,000	931
Total general administration	177,269	188,830	189,182	352

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012
 With comparative actual amounts for the year ended June 30, 2011

GENERAL FUND - CONTINUED

Statement 3
 1 of 17

	2012		Variance Under (Over)	
	2011	Actual		Budget
Expenditures and transfers - continued				
School administration				
Certified salaries	126,045	130,536	132,271	1,735
Early Retirement	5,152	4,052	-	(4,052)
Non-certified salaries	40,234	41,025	40,591	(434)
Employee insurance	36,535	42,470	39,116	(3,354)
Social security	12,312	12,447	12,466	19
Other employee benefit	790	897	795	(102)
Communications	2,957	3,085	2,000	(1,085)
Other purchased services	2,150	1,633	1,500	(133)
Supplies	444	513	500	(13)
Other	143	-	-	-
Total school administration	226,762	236,658	229,239	(7,419)
Expenditures and transfers - continued				
Transfers				
Food service fund	27,692	12,880	-	(12,880)
Professional Development	-	1,000	1,000	-
At-Risk fund	61,417	41,580	44,982	3,402
Special education fund	219,618	224,218	244,151	19,933
Total transfers	308,727	279,678	290,133	10,455
Preschool				
Certified	16,100	16,400	-	(16,400)
Social security	1,232	1,255	-	(1,255)
Other employee benefits	15	16	-	(16)
Other	(7,985)	(15,202)	-	15,202
Total preschool	9,362	2,469	-	(2,469)
Adjustment to comply with legal max	-	-	(17,388)	(17,388)
Legal general fund budget	-	-	1,969,002	-
Total expenditures and transfers subject to legal max budget	1,996,453	1,951,614	\$ 1,951,614	\$ -
Receipts over (under) expenditures	105,573	-		
Unencumbered cash, beginning	(105,573)	-		
Unencumbered cash, ending	\$ -	\$ -		

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012
 With comparative actual amounts for the year ended June 30, 2011

LOCAL OPTION FUND

Statement 3
 2 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
Ad valorem tax	\$ 646,050	\$ 635,783	\$ 660,043	\$ (24,260)
Delinquent tax	5,300	9,102	9,940	(838)
Motor vehicle tax	41,055	39,190	27,580	11,610
Recreational vehicle tax	1,198	1,092	709	383
16/20M vehicle tax	2,507	1,812	-	1,812
Total cash receipts	696,110	686,979	\$ 698,272	\$ (11,293)
Expenditures and transfers				
Instructional				
Certified Salaries	-	66,281	65,923	(358)
Social security	-	4,808	3,699	(1,109)
Unemployment	-	60	-	(60)
Insurance	-	8,086	7,608	(478)
Other	894	2,034	48	(1,986)
Tuition	3	-	-	-
Supplies	6,817	-	-	-
Other	3,500	-	-	-
Total instruction	11,214	81,269	77,278	(3,991)
Student Support Services				
Supplies	16	-	-	-
Total Student Support Services	16	-	-	-
General administration				
Insurance	17,287	-	-	-
Other	330	-	-	-
Total general administration	17,617	-	-	-

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012
With comparative actual amounts for the year ended June 30, 2011

LOCAL OPTION FUND - CONTINUED

Statement 3
2 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Operation and maintenance				
Early Retirement	100	-	-	-
Non-certified	146,016	149,674	146,056	(3,618)
Insurance	38,468	45,450	44,447	(1,003)
Social security	10,628	10,887	10,804	(83)
Other employee benefits	5,712	7,406	5,950	(1,456)
Water/sewer	2,955	9,409	5,000	(4,409)
Snow Plowing	536	330	-	(330)
Heating	38,979	23,469	35,000	11,531
Cleaning	2,124	1,932	2,000	68
Repairs	5,405	6,777	5,000	(1,777)
Rental services	1,161	1,008	1,500	492
Other purchased services	3,830	366	4,000	3,634
Supplies	19,074	18,372	17,000	(1,372)
Electricity	44,519	49,161	44,000	(5,161)
Motor fuel	1,103	1,627	1,000	(627)
Total operation and maintenance	320,610	325,868	321,757	(4,111)
Vehicle Operating Services and Maintenance				
Non-certified	10,534	9,473	8,204	(1,269)
Social security	773	715	775	60
Other employee benefits	306	313	308	(5)
Mileage in lieu of transportation	35,774	38,732	36,000	(2,732)
Insurance	4,388	1,890	4,500	2,610
Motor fuel	14,415	14,187	11,000	(3,187)
Other	3,933	4,094	1,500	(2,594)
Other purchased services	112	174	-	(174)
Supplies	376	-	-	-
Total vehicle operating services	70,611	69,578	62,287	(7,291)
Transfers				
Food service	40,000	17,969	34,800	16,831
Inservice	1,000	-	-	-
Special education	147,454	118,912	118,912	-
Vocational education	72,864	74,436	73,000	(1,436)
Total transfers	261,318	211,317	226,712	15,395
Adjustment to comply with legal max	-	-	-	-
Legal local option fund budget	-	-	688,034	-
Total expenditures and transfers subject to legal max budget	681,386	688,032	\$ 688,034	\$ 2

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012

With comparative actual amounts for the year ended June 30, 2011

LOCAL OPTION FUND - CONTINUED

Statement 3
2 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Receipts over expenditures	14,724	(1,053)		
Unencumbered cash, beginning	44,896	59,785		
Prior-year cancelled encumbrances	<u>165</u>	<u>-</u>		
Unencumbered cash, ending	<u>\$ 59,785</u>	<u>\$ 58,732</u>		

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012

With comparative actual amounts for the year ended June 30, 2011

CAPITAL OUTLAY FUND

Statement 3
3 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
General property tax				
Ad valorem property tax	\$ 253,319	\$ 321,986	\$ 307,856	\$ 14,130
Delinquent tax	1,999	3,679	3,899	(220)
Motor vehicle tax	16,768	15,198	10,700	4,498
Recreational tax	490	423	275	148
16-20M Vehicle tax	1,048	853	-	853
Other				
Interest	1,065	498	-	498
Other	13,312	23,209	-	23,209
Total cash receipts	<u>288,001</u>	<u>365,846</u>	<u>\$ 322,730</u>	<u>\$ 43,116</u>
Expenditures and transfers				
Instruction	156,461	82,403	250,000	167,597
Instructional support staff	11,913	14,320	25,000	10,680
General administration	-	1,899	-	(1,899)
Student support staff	6,571	1,741	10,000	8,259
Operations and maintenance	63,328	12,682	25,000	12,318 *
Equipment & Buses	60,882	26,026	100,000	73,974
Site Improvement Services	1,800	83,099	5,000	(78,099)
Repair and remodeling building	914	3,985	-	(3,985)
Custodians	-	815	-	(815)
Social Security	-	61	-	(61)
Total expenditures and transfers	<u>301,869</u>	<u>227,031</u>	<u>\$ 415,000</u>	<u>\$ 187,969</u>
Receipts over (under) expenditures	(13,868)	138,815		
Unencumbered cash, beginning	<u>192,327</u>	<u>178,459</u>		
Unencumbered cash, ending	<u>\$ 178,459</u>	<u>\$ 317,274</u>		

* SEE NOTE P

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012
 With comparative actual amounts for the year ended June 30, 2011

DRIVER TRAINING FUND

Statement 3
 4 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
State aid	\$ 666	\$ -	\$ -	\$ -
Total cash receipts	666	-	\$ -	\$ -
Expenditures				
Instruction				
Salaries	618	-	-	-
Social security	47	-	-	-
Other employee benefit	1	-	-	-
Total instruction	666	-	-	-
Vehicle operation and maintenance				
Motor fuel	136	-	-	-
Other	13	-	-	-
Total vehicle operation/maintenance	149	-	-	-
Total expenditures	815	-	\$ -	\$ -
Receipts (under) expenditures	(149)	-		
Unencumbered cash, beginning	169	20		
Unencumbered cash, ending	\$ 20	\$ 20		

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012
 With comparative actual amounts for the year ended June 30, 2011

FOOD SERVICE FUND

Statement 3
 5 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
Intergovernmental revenues				
State aid	\$ 1,695	\$ 1,687	\$ 1,394	\$ 293
Federal aid	42,970	39,502	42,416	(2,914)
Other revenues				
Lunch/breakfast - students	74,462	79,738	80,235	(497)
Lunch sales - adults	4,699	5,493	4,800	693
Interest	-	-	5,000	(5,000)
Transfer from general fund	27,692	12,880	-	12,880
Transfer from local option	40,000	17,969	34,800	(16,831)
Total cash receipts	<u>191,518</u>	<u>157,269</u>	<u>\$ 168,645</u>	<u>\$ (11,376)</u>
Expenditures				
Food service operation				
Salaries	54,495	53,660	51,004	(2,656)
Employee insurance	20,894	22,679	27,219	4,540
Social security	3,490	3,682	3,185	(497)
Other employee benefits	1,537	1,949	1,501	(448)
Other purchased services	1,297	565	1,200	635
Food and milk	84,753	84,328	89,000	4,672
Miscellaneous supplies	5,984	4,894	6,000	1,106
Property	742	-	700	700
Other	449	414	400	(14)
Total food service operation	<u>173,641</u>	<u>172,171</u>	<u>180,209</u>	<u>8,038</u>
Total expenditures	<u>173,641</u>	<u>172,171</u>	<u>\$ 180,209</u>	<u>\$ 8,038</u>
Receipts over (under) expenditures	17,877	(14,902)		
Unencumbered cash, beginning	<u>12,204</u>	<u>30,081</u>		
Unencumbered cash, ending	<u>\$ 30,081</u>	<u>\$ 15,179</u>		

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012
 With comparative actual amounts for the year ended June 30, 2011

INSERVICE EDUCATION FUND

Statement 3
 6 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
Transfer from local option	\$ 1,000	\$ -	\$ -	\$ -
Transfer from general fund	-	1,000	1,000	-
Total cash receipts	1,000	1,000	\$ 1,000	\$ -
Expenditures				
Support services				
Other Employee Benefits	541	-	-	-
Purchased professional/technical services	-	390	500	110
Books and periodicals	194	177	-	(177)
Other purchased services	265	433	500	67
Total expenditures	1,000	1,000	\$ 1,000	\$ -
Receipts over expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	\$ -	\$ -		

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012

With comparative actual amounts for the year ended June 30, 2011

SPECIAL EDUCATION FUND

Statement 3
7 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
Other Revenue	\$ -	\$ 1,357	\$ -	\$ 1,357
State Aid	264	-	-	-
Transfer from local option fund	147,454	118,912	118,912	-
Transfer from general fund	219,618	224,218	244,151	(19,933)
Total cash receipts	367,336	344,487	\$ 363,063	\$ (18,576)
Expenditures				
Instruction				
Payment to Special Ed. Co-op	357,184	337,904	363,063	25,159
Total instruction	357,184	337,904	363,063	25,159
Vehicle operating service				
Salaries	4,120	4,202	4,506	304
Social security	282	289	300	11
Other employee benefits	4	4	4	-
Insurance	386	212	400	188
Telephone	81	63	-	(63)
Other purchased services	106	99	200	101
Motor fuel	1,634	1,943	1,800	(143)
Supplies	305	210	400	190
Other	63	63	100	37
Total vehicle operating service	6,981	7,085	7,710	625
Total expenditures	364,165	344,989	\$ 370,773	\$ 25,784
Receipts (under) expenditures	3,171	(502)		
Unencumbered cash, beginning	15,076	18,247		
Unencumbered cash, ending	\$ 18,247	\$ 17,745		

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012

With comparative actual amounts for the year ended June 30, 2011

VOCATIONAL EDUCATION FUND

Statement 3
8 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
Interest	\$ -	\$ -	\$ 3,000	\$ (3,000)
Transfer from local option fund	72,864	74,436	73,000	1,436
Total cash receipts	<u>72,864</u>	<u>74,436</u>	<u>\$ 76,000</u>	<u>\$ (1,564)</u>
Expenditures				
Instruction				
Certified salaries	60,743	61,617	57,011	(4,606)
Employee insurance	6,687	7,528	10,855	3,327
Social security	4,563	4,620	4,283	(337)
Other employee benefits	57	58	55	(3)
General supplies	814	613	500	(113)
Other	-	-	2,500	2,500
Total expenditures	<u>72,864</u>	<u>74,436</u>	<u>\$ 75,204</u>	<u>\$ 768</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>\$ -</u>		

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012
 With comparative actual amounts for the year ended June 30, 2011

RECREATION FUND

Statement 3
 9 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
General property taxes				
Ad valorem tax	\$ 31,661	\$ 40,035	\$ 38,296	\$ 1,739
Delinquent tax	258	459	488	(29)
Motor vehicle tax	2,096	1,900	1,339	561
Recreation tax	61	53	35	18
16/20M vehicle tax	131	106	100	6
Total cash receipts	<u>34,207</u>	<u>42,553</u>	<u>\$ 40,258</u>	<u>\$ 2,295</u>
Expenditures				
Recreation commission appropriation	<u>79,310</u>	<u>41,530</u>	<u>\$ 41,530</u>	<u>\$ -</u>
Receipts over (under) expenditures	(45,103)	1,023		
Unencumbered cash, beginning	<u>46,415</u>	<u>1,312</u>		
Unencumbered cash, ending	<u>\$ 1,312</u>	<u>\$ 2,335</u>		

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012
With comparative actual amounts for the year ended June 30, 2011

BOND AND INTEREST

Statement 3
10 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
Ad Valorem and Delinquent Tax	\$ 459,801	\$ 561,851	\$ 537,155	\$ 24,696
Delinquent Tax	3,458	6,635	7,066	(431)
Motor Vehicle Tax	9,993	31,465	21,030	10,435
Rec Vehicle Tax	285	837	541	296
Total Receipts	<u>473,537</u>	<u>600,788</u>	<u>565,792</u>	<u>34,996</u>
Expenditures				
Principal	180,000	295,000	295,000	-
Interest	126,960	119,540	119,540	-
Total Expenditures	<u>306,960</u>	<u>414,540</u>	<u>414,540</u>	<u>-</u>
Receipts over expenditures	166,577	186,248		
Unencumbered cash, beginning	<u>275,737</u>	<u>442,314</u>		
Unencumbered cash, ending	<u>\$ 442,314</u>	<u>\$ 628,562</u>		

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the year ended June 30, 2012
 With comparative actual amounts for the year ended June 30, 2011

AT RISK FUND (K-12)

Statement 3
 11 of 17

	2011	2012		Variance Under (Over)
		Actual	Budget	
Cash receipts				
Transfer from general fund	\$ 61,417	\$ 41,580	\$ 44,982	\$ (3,402)
Total cash receipts	<u>61,417</u>	<u>41,580</u>	<u>44,982</u>	<u>(3,402)</u>
Expenditures				
Certified salaries	30,347	24,032	29,651	5,619
Non-certified salaries	14,171	4,085	4,902	817
Social security	2,898	1,895	2,643	748
Other employee benefits	<u>14,001</u>	<u>11,568</u>	<u>7,786</u>	<u>(3,782)</u>
Total expenditures	<u>61,417</u>	<u>41,580</u>	<u>44,982</u>	<u>3,402</u>
Receipts over expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>\$ -</u>		

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES-ACTUAL

For the year ended June 30, 2012
 With comparative actual amounts for the year ended June 30, 2011

KPERs

	2011 Actual	2012 Actual
Cash receipts		
KPERs	\$ 101,489	\$ 172,812
Cash expenditures		
Employee benefits	101,489	172,812
Total expenditures	101,489	172,812
Receipts over (under) expenditures	-	-
Unencumbered cash, beginning	-	-
Unencumbered cash, ending	\$ -	\$ -

Statement 3
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The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES-ACTUAL

For the year ended June 30, 2012
With comparative actual amounts for the year ended June 30, 2011

GIFT FUND

	2011 Actual	2012 Actual
Cash receipts		
Revenue from local sources	\$ 2,334	\$ 1,668
Cash expenditures		
Supplies	55	-
Other	26	-
Total expenditures	81	-
Receipts over (under) expenditures	2,253	1,668
Unencumbered cash, beginning	8,115	10,368
Unencumbered cash, ending	\$ 10,368	\$ 12,036

Statement 3
13 of 17

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the year ended June 30, 2012
With comparative actual amounts for the year ended June 30, 2011

TITLE I, TITLE II

Statement 3
14 of 17

	2011 Actual	2012 Actual
Cash receipts		
Federal aid	\$ 30,854	\$ 33,947
ARRA Money	<u>9,773</u>	<u>-</u>
Total Receipts	<u>40,627</u>	<u>33,947</u>
Expenditures		
Instruction		
Certified salaries	15,300	20,400
Certified salaries - ARRA	7,951	-
Non-certified salaries	9,637	6,102
Employee insurance	3,794	5,033
Employee insurance - ARRA	1,210	-
Social security	1,766	2,031
Social security - ARRA	605	-
Other employee benefits	23	25
Other employee benefits - ARRA	7	-
Purchased Prof & Tech Services	<u>334</u>	<u>356</u>
Total instruction	<u>40,627</u>	<u>33,947</u>
Receipts over (under) expenditures	-	-
Unencumbered cash, beginning	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u>\$ -</u>	<u>\$ -</u>

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the year ended June 30, 2012
With comparative actual amounts for the year ended June 30, 2011

RURAL SCHOOL ACHIEVEMENT PROGRAM (REAP)

Statement 3
15 of 17

	2011 Actual	2012 Actual
Cash receipts		
Federal aid	\$ 22,164	\$ 23,078
Expenditures		
Instruction support staff		
Certified Salaries	7,768	5,146
Social Security	588	387
Employee Benefits	7	5
Purchased Professional and Tech Services	2,302	6,343
Supplies	2,648	100
Other	767	127
Books and periodicals	7,357	10,200
Purchased professional services	619	250
Other	108	520
Total expenditures	22,164	23,078
Receipts over expenditures	-	-
Unencumbered cash, beginning	-	-
Unencumbered cash, ending	\$ -	\$ -

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the year ended June 30, 2012
With comparative actual amounts for the year ended June 30, 2011

BOND PROCEEDS

Statement 3
16 of 17

	2011 Actual	2012 Actual
Cash receipts		
FEMA Grant	\$ 278,724	\$ -
Other Source Grants	1,000	-
Interest	738	78
Total cash receipts	280,462	78
Expenditures		
Property/Equipment	129,465	59,642
Services	1,560,910	243,463
Total expenditures	1,690,375	303,105
Receipts over expenditures	(1,409,913)	(303,027)
Unencumbered cash, beginning	1,770,845	360,932
Unencumbered cash, ending	\$ 360,932	\$ 57,905

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the year ended June 30, 2012
With comparative actual amounts for the year ended June 30, 2011

ATHLETICS

	2011 Actual	2012 Actual
		Statement 3 17 of 17
Cash receipts		
Grade school	\$ 17,919	\$ 21,987
High school	<u>43,389</u>	<u>42,698</u>
Total cash receipts	<u>61,308</u>	<u>64,685</u>
Expenditures		
Grade school	17,978	23,050
High school	<u>42,418</u>	<u>41,016</u>
Total expenditures	<u>60,396</u>	<u>64,066</u>
Receipts over expenditures	912	619
Unencumbered cash, beginning	<u>22,541</u>	<u>23,453</u>
Unencumbered cash, ending	<u>\$ 23,453</u>	<u>\$ 24,072</u>

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS - ACTUAL

For the year ended June 30, 2012

STUDENT ORGANIZATION FUNDS

Statement 4

	Cash balance July 01, 2011	Cash receipts	Cash disbursements	Cash balance June 30, 2012
<u>High School</u>				
Dance team	\$ 542	\$ 7	\$ 162	\$ 387
Pep club	3,344	2,548	2,862	3,030
Skills USA	1,750	696	974	1,472
National honor society	573	817	888	502
FBLA	33	90	-	123
V-Club	70	1,093	796	367
Football	50	468	518	-
Cross Country	187	2,199	1,746	640
Girls Basketball	38	623	553	108
Boys Basketball	110	30	117	23
Student council	2,453	16,291	17,764	980
FCCLA club	5,239	40,726	38,954	7,011
SADD	1,162	170	112	1,220
Project prom	447	-	-	447
Interest	1,763	1,589	1,368	1,984
Track Grant	818	3,393	2,683	1,528
Project	1,097	350	-	1,447
	<u>19,676</u>	<u>71,090</u>	<u>69,497</u>	<u>21,269</u>
Total student organization funds	<u>\$ 19,676</u>	<u>\$ 71,090</u>	<u>\$ 69,497</u>	<u>\$ 21,269</u>

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

Unified School District No. 432 is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 432.

The District has oversight responsibility for other governmental entities (component units) since the other entities are considered to be controlled by, or dependent on, the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing boards.

The District's financial statements include only the accounts of the primary government and not its component unit.

The following component unit has not been examined by certified public accountants.

Recreation Commission. USD No. 432 Recreation Commission oversees recreational activities. The recreation commission operates as a separate governing body but the District levies the taxes for the recreation commission and the recreation commission has only the powers granted by statute, K.S.A. 12-1928. The recreation commission cannot purchase real property but can acquire real property by gift.

FUND ACCOUNTING

The financial transactions and accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for separately.

Governmental Funds:

1. General Fund

The general fund is the general operating fund of the District. This fund is used to account for all activities of the general government not accounted for in another fund.

2. Special Revenue Funds

Special revenue funds are used to account for the collection and disbursement of moneys designated for a special purpose.

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Capital Project Funds

Capital project funds account for all financial resources used for the acquisition or construction of major capital assets.

Trust And Agency Funds:

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individual, private organization, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

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

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, 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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED

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, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. 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 calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in 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. There was no such budget amendments for this year.

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.

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 district for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

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

Gift Fund – Playground

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

Title I, Title II, Title II-A, Title IV, REAP, Bond Proceeds

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, Unified School District No. 432 records an expenditure (or expense) in the reimbursing fund, and a reduction of expenditure (or expense) in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.

NOTE B – CASH AND INVESTMENTS

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, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B – CASH AND INVESTMENT – CONTINUED

pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's 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 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 the designated "peak periods," when required coverage is 50%. The District has not designated any "peak periods." All deposits were legally secured at June 30, 2012.

At June 30, 2012, the District's carrying amount of deposits was \$1,228,134 and the bank balance was \$1,461,683. The difference between the carrying amount and the bank balance is outstanding checks. Of the bank balance, \$408,388 was covered by federal depository insurance and the remaining \$1,053,295 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

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

NOTE C – PROPERTY TAXES

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County appraiser annually determines assessed valuations based on real estate transactions recorded by the Register of Deeds and personal property transactions reported by taxpayers. The County Clerk spreads the annual assessment

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE C – PROPERTY TAXES – CONTINUED

on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are assessed on a calendar year basis and become a lien on property on November 1 of each year. The taxes are due one-half on December 20th and one-half the following May 10th. Any taxes unpaid at the due dates are considered delinquent.

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current operation of the school district and therefore are not susceptible to accrual.

Undistributed taxes from the prior year levy are recognized as income in the current year. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

NOTE D – INTERFUND TRANSACTIONS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	Special Education	K.S.A. 72-6420	\$ 224,218
Local Option	Special Education	K.S.A. 72-6420	118,912
Local Option	Food Service	K.S.A. 72-5119	17,969
General	Inservice Education	K.S.A. 72-9605	1,000
General Fund	Food Service	K.S.A. 72-5119	12,880
General Fund	At Risk (K-12)	K.S.A. 72-6414a	41,580
Local Option	Vocational Education	K.S.A. 72-6421	74,436

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E- RISK MANAGEMENT

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

NOTE F – DEFINED BENEFIT PENSION PLAN

Plan Description. The Unified School District No. 432, Victoria, Kansas contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for members hired before July 1, 2009. The member-employee contribution rate is 6% of covered salary for employees hired after July 1, 2009. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 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, \$188,864,352, and \$248,468,186, respectively, equal to the required contributions for each year set forth by legislature.

NOTE G – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Other Post Employment Benefits

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS –
CONTINUED

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.

Termination Benefits.

Unified School District No. 432 has implemented a plan for eligible employees of the District to receive benefits upon making an election to take early retirement. Early retirement is entirely voluntary and at the discretion of an eligible employee.

An employee is eligible for early retirement if the following conditions are met:

1. The employee is currently a full-time employee of the District
2. The employee is eligible for full retirement benefits under KPERS and is not more than 65 years of age.
3. The employee has fifteen years or more of employment service with the District.
4. The employee has twenty years or more of service credit recognized by the Kansas Public Employees Retirement System (KPERS).

It shall be the responsibility of the employee to provide all the facts and information necessary to prove eligibility for early retirement. An employee may apply for early retirement by giving written notice to the Superintendent of Schools on or before the first day of April preceding the anticipated retirement date. Such written notice shall include the following information:

1. A statement of the applicant's desire to take early retirement.
2. The anticipated date of retirement and their date of birth.
3. The number of years applicant has been employed by the school district.
4. The total number of years of service credit recognized by KPERS

Failure to request early retirement by April 1 shall not exclude the candidate, if the Board of Education chooses to give approval, even though the deadline may not have been met.

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS –
CONTINUED

Following final action on any application by the Board of Education for early retirement, the Superintendent shall notify the applicant in writing of the final disposition.

For certified employees, the amount of payment to the retiree who is 58 years of age or older shall be the equivalent of \$415 per month until the participant reached the age of 62 years and then \$150 per month from the age 62 to 65 years of age.

If any certified employee chooses to retire before 58 years of age the payment will be figured in the following manner: Take the amount a person could receive from 58 to 62 years of age (\$19,920) and divide this amount by the number of months from the eligible retirement date until they reach the age of 62 years old. Payment from age 62 to 65 years old will be \$150 a month.

For classified employees, the amount of payment to the retiree who is 58 years old or older shall be the equivalent of \$275 per month until the participant reaches the age of 62 years and then \$100 per month from the age 62 to 65 years of age.

If any classified employee chooses to retire before 58 years of age the payments will be figured in the following manner: Take the amount a person could receive from 58 to 62 years of age (\$13,200) and divide this amount by the number of months from the eligible retirement date until they reach the age of 62 years old. Payment from age 62 to 65 years old will be \$100 a month.

If death should occur to the participant during this agreement, the Board of Education will honor said agreement to the participant's spouse only for months that would have remained until the participant would have reached the age of 65.

The early retirement benefit shall be payable by the school district in the following manner: The benefit may be applied toward a membership in the school district's health insurance policy, or it may be taken in cash on a monthly basis, or it may be taken as a combination of the two. If any of the payment is to be made in cash, the payment shall be made each month or in a lump sum each year; for one year at a time in the discretion of the Board of Education.

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS – CONTINUED

Early retirement benefits paid for the year ending June 30, 2012, were \$17,887. The following is a schedule by years of future payments under the District's early retirement plan for the years ending June 30:

2013	18,013
2014	13,127
2015	10,263
2016	8,412
Thereafter	<u>18,397</u>
Total	\$ 68,212

NOTE H – COMPENSATED ABSENCES

All employees of the District will be paid up to \$38 per day for any unused sick leave days upon retirement, resignation, death, or other reasons for terminating employment. The employee may take this remuneration as: (1) a lump sum, (2) as monthly payments on a health insurance policy carried by the District at the rate of no more than a single premium, if retiring, or (3) it may be applied to the employee's salary in the last year of employment, if retiring, provided the employee has declared their intent by June 1 preceding their last year. In the event the remuneration has not been paid out by the District by the time the employee reaches age 65, the employee will be given the remainder in a lump sum payment. In the event that options (2) or (3) above are selected, this policy must meet all legal requirements at the time of separation.

The maximum amount of remuneration one can receive is listed below:

<u>Years of Service</u>	<u>Amount</u>
1 to 10	\$ 13.50 per day
11 to 15	18.75 per day
16 to 20	24.00 per day
21 to 25	29.25 per day
26 to 30	34.50 per day
31 +	38.00 per day

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE H – COMPENSATED ABSENCES – CONTINUED

All employees of the District receive 12 days of sick leave each year. The certified employees, principals and the superintendent may accumulate the sick leave to 125 days. The custodians, clerk, and secretaries may accumulate sick leave to 70 days. The cooks and paraprofessionals may accumulate sick leave to 50 days.

The District has 42 employees with an accumulation of 2,243 days unused sick leave for an estimated liability of \$49,320.

The twelve month employees of the District, including Central Office secretaries, custodians, and the school superintendent, are entitled to paid vacations. The estimated liability for unused vacation as of June 30, 2012, is \$31,985.

NOTE I – COMPARATIVE DATA

The amounts shown for 2011 in the accompanying financial statements are included only to provide a basis for comparison with 2012 and are not intended to present all information necessary for a fair presentation. Certain amounts for 2011 may have been restated to conform with the presentation of similar amounts for 2012.

NOTE J – OPERATING LEASE

The District leased three copiers from ESSDACK. The lease is non-cancelable with a five-year term. The monthly lease payments are \$172 each. The future minimum rental payments for each year will be \$6,192. The total minimum lease amount will be \$30,960. The remaining payments that the District is responsible for as of June 30, 2012 are \$12,384.

NOTE K- FEDERAL AND STATE GRANTS

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

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE L- USES OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE M – SUBSEQUENT EVENTS

The district purchased 160 Ipads along with applications and a support system in July of 2012 to be used by the students for the 2012-2013 school year. The total cost for the project is \$80,456.

Management has evaluated the effects of the financial statements of subsequent events occurring through October 29, 2012 which is the date at which the financial statements were available to be issued.

NOTE N – COMPLIANCE WITH KANSAS STATUTE

The District had no violation with the Kansas Statute on compliance.

NOTE O – RELATED PARTIES

In a governmental entity, related parties include members of the governing body, board members, administrative officials, and immediate families of administrative officials, board members, and members of the governing body. Required disclosures on related party transactions do not include compensation arrangements, expense allowances and similar items incurred in the ordinary course of operations. The following is not required to be reported, but is presented for information only.

	<u>2012</u>
City of Victoria Melissa Schmidt, Clerk spouse is an employee.	\$9,450

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE P – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the operations and maintenance expense in the capital outlay fund on the Statement of Cash Receipts and Expenditures-Actual to Budget. The 2011 operations and maintenance expense of \$26,624, from Sterling West, was actually a 2011 encumbrance not included in the June 30, 2011 financial statements.

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE O- LONG-TERM DEBT

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 Changes	Balance End of Year	Interest Paid
General Obligation Bonds:										
Series 2008	5.80%	11/15/2008	\$ 3,500,000	9/1/2019	\$ 3,320,000	\$ -	\$ 295,000	(295,000)	3,025,000	\$ 119,540
Capital Leases:										
Apple Computer, Inc.	5.72%	6/10/2010	\$ 235,956	8/1/2014 *	162,083	-	51,186	(51,186)	110,897	8,572
2010 Blue Bird Bus	4.40%	6/8/2009	\$ 153,518	6/8/2015	89,406	-	20,929	(20,929)	68,477	3,934
Compensated Absences	N/A	N/A	N/A	N/A	88,992	-	7,687	(7,687)	81,305	-
Total Long-Term Debt					\$ 3,660,481	\$ -	\$ 374,802	\$ (374,802)	\$ 3,285,679	\$ 132,046

* The fiscal year end 6/30/12 payment was made June 30, 2011. The fiscal year end 6/30/13 payment was made June 30, 2012.

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE O- LONG-TERM DEBT- CONTINUED

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

	Year						
	2013	2014	2015	2016	2017	Thereafter	Total
PRINCIPAL							
G.O. Bonds	\$ 315,000	\$ 325,000	\$ 350,000	\$ 375,000	\$ 400,000	\$ 1,260,000	\$ 3,025,000
Capital Lease - Apple Computer, Inc. *	-	53,977	56,920	-	-	-	110,897
2010 Blue Bird Bus	21,850	22,812	23,815	-	-	-	68,477
TOTAL PRINCIPAL	<u>336,850</u>	<u>401,789</u>	<u>430,735</u>	<u>375,000</u>	<u>400,000</u>	<u>1,260,000</u>	<u>3,204,374</u>
INTEREST							
G.O. Bonds	109,308	97,701	85,045	71,733	57,383	76,084	497,254
Capital Lease - Apple Computer, Inc. *	-	5,781	2,838	-	-	-	8,619
2010 Blue Bird Bus	3,013	2,052	1,048	-	-	-	6,113
TOTAL INTEREST	<u>112,321</u>	<u>105,534</u>	<u>88,931</u>	<u>71,733</u>	<u>57,383</u>	<u>76,084</u>	<u>511,986</u>
TOTAL PRINCIPAL AND INTEREST	<u>\$ 449,171</u>	<u>\$ 507,323</u>	<u>\$ 519,666</u>	<u>\$ 446,733</u>	<u>\$ 457,383</u>	<u>\$ 1,336,084</u>	<u>\$ 3,716,360</u>

* The fiscal year end 6/30/13 payment was made June 30, 2012.

SUPPLEMENTARY INFORMATION

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Unencumbered cash July 1, 2011</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Unencumbered cash June 30, 2012</u>
<u>U.S. Department of Agriculture</u>						
Passed through Kansas State Board of Education:						
National School lunch program	10.555	3530-3500	\$ -	\$ 27,921	\$ 27,921	\$ -
		3530-3500	-	8,671	8,671	-
School breakfast program	10.553	3529-3490	-	2,910	2,910	-
Total food assistance			-	39,502	39,502	-
<u>U.S. Department of Education</u>						
Passed through Kansas State Board of Education:						
Title I	84.010	3532-3520	-	21,108	21,108	-
Title II	84.367	3526-3860	-	12,839	12,839	-
ARRA Education Jobs Fund	84.410	3551-3551	-	925	925	-
Total all funds			\$ -	\$ 74,374	\$ 74,374	\$ -

See accountants' report.

UNIFIED SCHOOL DISTRICT NO. 432, VICTORIA, KANSAS

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the year ended June 30, 2012

General state aid	\$	889,183
School food assistance		1,687
KPERS		172,812
Special education services		<u>224,218</u>
Total state financial assistance	\$	<u>1,287,900</u>

See accountants' report.