

UNIFIED SCHOOL DISTRICT NO. 440

HALSTEAD, KANSAS

Special Financial Statements

June 30, 2012

Unified School District No. 440

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Unified School District No. 440  
Halstead, Kansas 67056

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 440, Halstead, Kansas, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2011 financial statements and in our report dated October 24, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

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

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America the financial position of Unified School District No. 440, Halstead, Kansas, as of June 30, 2012, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present, fairly in all material respects, the cash and unencumbered cash balances of the Primary Government of Unified School District 440, Halstead, Kansas, as of June 30, 2012, and its cash receipts and expenditures for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

*Knudsen, Monroe & Company LLC*

Certified Public Accountants  
October 5, 2012

## Unified School District No. 440

## SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended June 30, 2012

FUNDS	Unencumbered Cash Balance 06/30/11 *	Prior Year Cancelled Encumbrances	Receipts	Expenditures and Transfers	Unencumbered Cash Balance 06/30/12	Encumbrances	Cash Balance 06/30/12
<b>General</b>							
General	\$ -	-	5,659,265	5,659,265	-	18,229	18,229
Supplemental general	26,377	-	1,411,033	1,356,000	81,410	117,387	198,797
<b>Special revenue</b>							
At risk (K-12)	-	-	362,373	362,373	-	3,140	3,140
At risk (4 year old)	-	-	47,765	47,765	-	-	-
Capital outlay	757,945	-	210,363	327,455	640,853	122,600	763,453
Driver training	42,508	-	11,041	6,914	46,635	-	46,635
Food service	100,354	-	385,417	386,892	98,879	-	98,879
Professional development	47,532	-	29,014	28,949	47,597	405	48,002
Parent education	17,021	-	3,000	8,812	11,209	-	11,209
Summer school	6,215	-	-	6,215	-	-	-
Special education	250,000	-	1,079,356	1,089,356	240,000	-	240,000
Textbook and student material revolving	26,163	-	41,236	30,109	37,290	-	37,290
Student health initiative	1,878	-	-	1,267	611	-	611
Vocational education	-	-	128,510	128,510	-	-	-
Virtual education	-	-	7,068	7,068	-	-	-
KPERS special retirement contribution	-	-	443,588	443,588	-	-	-
Contingency reserve	551,469	-	100,000	221,498	429,971	-	429,971
After school program	-	-	29,307	24,298	5,009	-	5,009
Federal government programs	-	-	140,906	140,826	80	1,000	1,080
Gate receipts	25,694	-	105,460	111,067	20,087	-	20,087
School projects	15,316	-	38,088	38,044	15,360	-	15,360
<b>Debt service</b>							
Bond and interest	783,665	-	739,657	664,275	859,047	-	859,047
<b>Fiduciary</b>							
Student organizations	-	-	65,554	65,554	-	42,189	42,189
Gift funds	25,310	-	917	24,146	2,081	-	2,081
	<u>\$ 2,677,447</u>	<u>-</u>	<u>11,038,918</u>	<u>11,180,246</u>	<u>2,536,119</u>	<u>304,950</u>	<u>2,841,069</u>

\* As Restated - See note 6

## Unified School District No. 440

SUMMARY STATEMENT OF EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2012

	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>General</b>						
General	\$ 5,727,235	(67,970)	-	5,659,265	5,659,265	-
Supplemental general	1,356,000	-	-	1,356,000	1,356,000	-
<b>Special revenue</b>						
At risk (K-12)	450,000	-	-	450,000	362,373	(87,627)
At risk (4 year old)	55,000	-	-	55,000	47,765	(7,235)
Capital outlay	761,706	-	-	761,706	327,455	(434,251)
Driver training	40,335	-	-	40,335	6,914	(33,421)
Food service	420,367	-	-	420,367	386,892	(33,475)
Professional development	65,000	-	-	65,000	28,949	(36,051)
Parent education	25,500	-	-	25,500	8,812	(16,688)
Summer school	6,215	-	-	6,215	6,215	-
Special education	1,293,999	-	-	1,293,999	1,089,356	(204,643)
Vocational education	220,000	-	-	220,000	128,510	(91,490)
Virtual education	8,000	-	-	8,000	7,068	(932)
KPERs special retirement contribution	492,030	-	-	492,030	443,588	(48,442)
<b>Debt service</b>						
Bond and interest	664,275	-	-	664,275	664,275	-
	<u>\$ 11,585,662</u>	<u>(67,970)</u>	<u>-</u>	<u>11,517,692</u>	10,523,437	<u>(994,255)</u>
Add expenditures of unbudgeted funds						
Special revenue					567,109	
Fiduciary					<u>89,700</u>	
Total expenditures, Statement 1					<u>\$ 11,180,246</u>	

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance- Over (Under)
		Actual	Budget	
<b>GENERAL FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 25,560	43,169	33,909	9,260
Current tax	554,278	551,068	535,422	15,646
Delinquent tax	11,339	28,832	20,456	8,376
Mineral production tax	792	984	-	984
ARRA stabilization aid	100,429	-	-	-
Education jobs fund	175,852	2,545	-	2,545
General state aid	4,018,902	4,073,281	4,134,290	(61,009)
Special education state aid	635,682	731,673	775,445	(43,772)
Transfers from other funds	-	227,713	227,713	-
	<u>5,522,834</u>	<u>5,659,265</u>	<u>5,727,235</u>	<u>(67,970)</u>
Expenditures				
Instruction	2,522,157	2,556,362	2,588,221	(31,859)
Student support services	186,600	170,125	216,706	(46,581)
Instructional support services	281,080	303,556	290,432	13,124
General administration	216,796	172,557	226,418	(53,861)
School administration	517,251	491,190	504,421	(13,231)
Operations and maintenance	587,571	576,574	562,736	13,838
Student transportation services	250,367	271,380	270,352	1,028
Other support services	70,827	78,806	71,949	6,857
Operating transfers	890,185	1,038,715	996,000	42,715
	<u>5,522,834</u>	<u>5,659,265</u>	<u>5,727,235</u>	<u>(67,970)</u>
Budget adjustments:				
Legal maximum budget	-	-	(67,970)	67,970
	<u>5,522,834</u>	<u>5,659,265</u>	<u>5,659,265</u>	<u>-</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning - As Restated	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance - Over (Under)
		Actual	Budget	
<b>SUPPLEMENTAL GENERAL FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 25,059	39,922	30,611	9,311
Current tax	519,838	605,888	640,225	(34,337)
Delinquent tax	9,176	24,021	19,143	4,878
Vehicle tax	70,086	78,053	86,802	(8,749)
State aid	725,219	663,149	639,273	23,876
	<u>1,349,378</u>	<u>1,411,033</u>	<u>1,416,054</u>	<u>(5,021)</u>
Expenditures				
Instruction	104,046	127,564	151,000	(23,436)
Student support services	21	-	-	-
Instructional support staff	17,608	19,014	25,000	(5,986)
General administration	3,783	1,368	4,000	(2,632)
School administration	21,380	26,693	25,500	1,193
Operations and maintenance	236,105	422,997	316,000	106,997
Student transportation services	-	43,264	43,000	264
Other supplemental services	25,280	38,062	25,000	13,062
Operating transfers	991,777	677,038	766,500	(89,462)
	<u>1,400,000</u>	<u>1,356,000</u>	<u>1,356,000</u>	<u>-</u>
Receipts over (under) expenditures	(50,622)	55,033		
Unencumbered cash, beginning - As Restated	76,999	26,377		
Unencumbered cash, ending	<u>\$ 26,377</u>	<u>81,410</u>		

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

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

	2011 Actual	2012		Variance - Over (Under)
		Actual	Budget	
<b>AT RISK (K-12) FUND</b>				
Receipts				
Transfers from other funds	\$ 283,047	362,373	450,000	(87,627)
Expenditures				
Instruction	318,374	355,173	440,000	(84,827)
Student support services	4,570	7,200	10,000	(2,800)
	<u>322,944</u>	<u>362,373</u>	<u>450,000</u>	<u>(87,627)</u>
Receipts over (under) expenditures	(39,897)	-		
Unencumbered cash, beginning	<u>39,897</u>	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		
<b>AT RISK (4YEAR OLD) FUND</b>				
Receipts				
Transfers from other funds	\$ 49,408	47,765	55,000	(7,235)
Expenditures				
Salaries and benefits	49,307	47,487	53,000	(5,513)
Other	101	278	2,000	(1,722)
	<u>49,408</u>	<u>47,765</u>	<u>55,000</u>	<u>(7,235)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		



## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance - Over (Under)
		Actual	Budget	
<b>CAPITAL OUTLAY FUND</b>				
Receipts				
Taxes				
Tax in process	\$ -	1,932	1,468	464
Current tax	24,916	-	-	-
Delinquent tax	1,371	3,597	918	2,679
Vehicle tax	13,183	1,139	1,377	(238)
Interest	6,044	8,890	-	8,890
Transfers from other funds	254,503	-	-	-
Grants and other	195,812	194,805	-	194,805
	<u>495,829</u>	<u>210,363</u>	<u>3,763</u>	<u>206,600</u>
Expenditures				
Equipment and furniture	223,175	311,015	541,206	(230,191)
Construction and remodeling	-	-	20,500	(20,500)
Site improvement	62,681	16,440	200,000	(183,560)
	<u>285,856</u>	<u>327,455</u>	<u>761,706</u>	<u>(434,251)</u>
Receipts over (under) expenditures	209,973	(117,092)		
Unencumbered cash, beginning	<u>547,972</u>	<u>757,945</u>		
Unencumbered cash, ending	<u>\$ 757,945</u>	<u>640,853</u>		
<b>DRIVER TRAINING FUND</b>				
Receipts				
State aid	\$ 4,440	4,136	3,700	436
Other	6,589	-	-	-
Transfers from other funds	-	6,905	-	6,905
	<u>11,029</u>	<u>11,041</u>	<u>3,700</u>	<u>7,341</u>
Expenditures				
Salaries and benefits	4,082	6,914	8,735	(1,821)
Other	404	-	1,600	(1,600)
Equipment and furnishings	6,491	-	30,000	(30,000)
	<u>10,977</u>	<u>6,914</u>	<u>40,335</u>	<u>(33,421)</u>
Receipts over (under) expenditures	52	4,127		
Unencumbered cash, beginning	<u>42,456</u>	<u>42,508</u>		
Unencumbered cash, ending	<u>\$ 42,508</u>	<u>46,635</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance - Over (Under)
		Actual	Budget	
<b>FOOD SERVICE FUND</b>				
Receipts				
Lunch and breakfast sales	\$ 130,246	135,075	119,698	15,377
Federal aid	187,308	208,018	183,141	24,877
State aid	3,942	3,784	3,174	610
Other	11,968	7,717	-	7,717
Transfers from other funds	15,000	30,823	14,000	16,823
	<u>348,464</u>	<u>385,417</u>	<u>320,013</u>	<u>65,404</u>
Expenditures				
Salaries and benefits	142,875	164,697	170,323	(5,626)
Food and supplies	189,415	215,995	237,563	(21,568)
Equipment	9,504	6,200	12,481	(6,281)
	<u>341,794</u>	<u>386,892</u>	<u>420,367</u>	<u>(33,475)</u>
Receipts over (under) expenditures	6,670	(1,475)		
Unencumbered cash, beginning	<u>93,684</u>	<u>100,354</u>		
Unencumbered cash, ending	<u>\$ 100,354</u>	<u>98,879</u>		
<b>PROFESSIONAL DEVELOPMENT FUND</b>				
Receipts				
Other	\$ 191	-	-	-
Transfers from other funds	20,000	29,014	19,000	10,014
	<u>20,191</u>	<u>29,014</u>	<u>19,000</u>	<u>10,014</u>
Expenditures				
Salaries and benefits	19,026	14,614	39,000	(24,386)
Purchased services and other	4,082	14,335	26,000	(11,665)
	<u>23,108</u>	<u>28,949</u>	<u>65,000</u>	<u>(36,051)</u>
Receipts over (under) expenditures	(2,917)	65		
Unencumbered cash, beginning	<u>50,449</u>	<u>47,532</u>		
Unencumbered cash, ending	<u>\$ 47,532</u>	<u>47,597</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

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

	2011 Actual	2012		Variance - Over (Under)
		Actual	Budget	
<b>PARENT EDUCATION FUND</b>				
Receipts				
Transfers from other funds	\$ 8,000	3,000	8,500	(5,500)
Expenditures				
Supplies	-	-	5,500	(5,500)
Purchased services and other	8,812	8,812	20,000	(11,188)
	<u>8,812</u>	<u>8,812</u>	<u>25,500</u>	<u>(16,688)</u>
Receipts over (under) expenditures	(812)	(5,812)		
Unencumbered cash, beginning	<u>17,833</u>	<u>17,021</u>		
Unencumbered cash, ending	<u>\$ 17,021</u>	<u>11,209</u>		
<b>SUMMER SCHOOL FUND</b>				
Receipts	\$ -	-	-	-
Expenditures				
Operating transfers	-	6,215	6,215	-
	<u>-</u>	<u>6,215</u>	<u>6,215</u>	<u>-</u>
Receipts over (under) expenditures	-	(6,215)		
Unencumbered cash, beginning	<u>6,215</u>	<u>6,215</u>		
Unencumbered cash, ending	<u>\$ 6,215</u>	<u>-</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance - Over (Under)
		Actual	Budget	
<b>SPECIAL EDUCATION FUND</b>				
Receipts				
Other	\$ 48,346	77,061	56,000	21,061
Transfers from other funds	1,058,058	1,002,295	988,000	14,295
	<u>1,106,404</u>	<u>1,079,356</u>	<u>1,044,000</u>	<u>35,356</u>
Expenditures				
Salaries and benefits	113,213	117,635	147,553	(29,918)
Purchased services and other	3,842	4,207	12,000	(7,793)
Transportation	15,420	19,802	30,000	(10,198)
Equipment and furniture	15,145	-	82,000	(82,000)
Tuition	886,599	947,712	1,022,446	(74,734)
	<u>1,034,219</u>	<u>1,089,356</u>	<u>1,293,999</u>	<u>(204,643)</u>
Receipts over (under) expenditures	72,185	(10,000)		
Unencumbered cash, beginning	<u>177,815</u>	<u>250,000</u>		
Unencumbered cash, ending	<u>\$ 250,000</u>	<u>240,000</u>		
<b>TEXTBOOK AND STUDENT MATERIAL REVOLVING FUND</b>				
Receipts				
Fees	\$ 49,998	41,236		
Expenditures				
Textbooks	48,701	18,981		
Other	22,373	1,731		
Materials and supplies	-	9,397		
	<u>71,074</u>	<u>30,109</u>		
Receipts over (under) expenditures	(21,076)	11,127		
Unencumbered cash, beginning	<u>47,239</u>	<u>26,163</u>		
Unencumbered cash, ending	<u>\$ 26,163</u>	<u>37,290</u>		
			NOT APPLICABLE	

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance - Over (Under)
		Actual	Budget	
<b>STUDENT HEALTH INITIATIVE FUND</b>				
Receipts				
Grant	\$ 3,305	-		
Expenditures				
Other	2,420	1,267	NOT APPLICABLE	
Receipts over (under) expenditures	885	(1,267)		
Unencumbered cash, beginning	993	1,878		
Unencumbered cash, ending	<u>\$ 1,878</u>	<u>611</u>		
<b>VOCATIONAL EDUCATION FUND</b>				
Receipts				
Transfers from other funds	\$ 193,946	126,510	220,000	(93,490)
Other	3,753	2,000	-	2,000
	<u>197,699</u>	<u>128,510</u>	<u>220,000</u>	<u>(91,490)</u>
Expenditures				
Salaries and benefits	173,257	109,471	184,320	(74,849)
Tuition and other	24,442	19,039	35,680	(16,641)
	<u>197,699</u>	<u>128,510</u>	<u>220,000</u>	<u>(91,490)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		
<b>VIRTUAL EDUCATION</b>				
Receipts				
Transfers from other funds	\$ -	7,068	8,000	(932)
Expenditures				
Tuition	-	7,068	8,000	(932)
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance - Over (Under)
		Actual	Budget	
<b>KPERS SPECIAL RETIREMENT CONTRIBUTION FUND</b>				
Receipts				
State KPERS aid	\$ 264,532	443,588	492,030	(48,442)
Expenditures				
Employee benefits	264,532	443,588	492,030	(48,442)
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	\$ -	-		
<b>CONTINGENCY RESERVE FUND</b>				
Receipts				
Transfers from other funds	\$ -	100,000		
Expenditures				
Transfers to other funds	-	221,498	NOT APPLICABLE	
Receipts over (under) expenditures	-	(121,498)		
Unencumbered cash, beginning	551,469	551,469		
Unencumbered cash, ending	\$ 551,469	429,971		
<b>AFTER SCHOOL PROGRAM FUND</b>				
Receipts				
Other	\$ -	25,866		
Interest	-	3,441		
	-	29,307		
Expenditures				
Salaries and benefits	-	20,391		
Equipment	-	307		
Miscellaneous	-	3,600		
	-	24,298	NOT APPLICABLE	
Receipts over (under) expenditures	-	5,009		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	\$ -	5,009		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET\*

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

	2012			2011 Total
	Title II-A Class Size Reduction	Title I ESEA	Total	
<b>FEDERAL GOVERNMENT PROGRAMS</b>				
Receipts				
Federal aid	\$ 26,066	114,840	140,906	153,582
Expenditures				
Salaries and benefits	4,284	110,571	114,855	130,412
Equipment and supplies	-	4,269	4,269	12,120
Other expense	21,702	-	21,702	11,050
	<u>25,986</u>	<u>114,840</u>	<u>140,826</u>	<u>153,582</u>
Receipts over (under) expenditures	80	-	80	-
Unencumbered cash, beginning	-	-	-	-
Unencumbered cash, ending	<u>\$ 80</u>	<u>-</u>	<u>80</u>	<u>-</u>

\*Legally adopted budget not applicable

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance - Over (Under)
		Actual	Budget	
<b>BOND AND INTEREST FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 19,739	29,645	22,539	7,106
Current tax	382,770	372,094	362,208	9,886
Delinquent tax	7,989	21,052	14,096	6,956
Vehicle tax	65,680	60,413	66,931	(6,518)
State aid	253,159	256,453	259,067	(2,614)
	<u>729,337</u>	<u>739,657</u>	<u>724,841</u>	<u>14,816</u>
Expenditures				
Principal	190,000	215,000	215,000	-
Interest	464,463	449,275	449,275	-
	<u>654,463</u>	<u>664,275</u>	<u>664,275</u>	<u>-</u>
Receipts over (under) expenditures	74,874	75,382		
Unencumbered cash, beginning	<u>708,791</u>	<u>783,665</u>		
Unencumbered cash, ending	<u>\$ 783,665</u>	<u>859,047</u>		



## Unified School District No. 440

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
School Activity Funds

Year ended June 30, 2012

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
<b><u>Activity Gate Receipts</u></b>				
High School				
Athletics	\$ 20,346	83,325	87,882	15,789
Concessions	1,774	10,883	12,297	360
Musicals	11	1,702	1,684	29
Grade Schools				
Athletics	<u>3,563</u>	<u>9,550</u>	<u>9,204</u>	<u>3,909</u>
Totals to Statement 1	<u>\$ 25,694</u>	<u>105,460</u>	<u>111,067</u>	<u>20,087</u>
<b><u>School Projects</u></b>				
High School	\$ 4,275	6,847	7,183	3,939
Grade Schools	<u>11,041</u>	<u>31,241</u>	<u>30,861</u>	<u>11,421</u>
Totals to Statement 1	<u>\$ 15,316</u>	<u>38,088</u>	<u>38,044</u>	<u>15,360</u>
<b><u>Student Organizations</u></b>				
High School				
Class funds	\$ 4,383	10,358	10,096	4,645
Other	28,390	42,894	46,944	24,340
Grade Schools				
Class funds	7,580	3,531	1,596	9,515
Other	<u>5,841</u>	<u>8,771</u>	<u>10,923</u>	<u>3,689</u>
Total cash basis activity	46,194	65,554	69,559	42,189
Adjustments for encumbrances and payables	<u>(46,194)</u>	<u>-</u>	<u>(4,005)</u>	<u>(42,189)</u>
Totals to Statement 1	<u>\$ -</u>	<u>65,554</u>	<u>65,554</u>	<u>-</u>

See notes to financial statements

Unified School District No. 440

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
School Activity Funds

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

		2012							
		Wedel	Stan	Carolyn	Harold	Generation	M. Ritthaler		
		Memorial	Robuck	Taylor	England	Youth	Memorial	Total	2011
		Fund	Fund	Scholarship	Memorial	Fund	Fund		Total
				Fund	Fund				
<b>FIDUCIARY - GIFT FUNDS</b>									
Receipts									
	Gifts	\$ -	-	-	50	277	590	917	10,370
	Interest	-	-	-	-	-	-	-	28
		-	-	-	50	277	590	917	10,398
	Expenditures	8,948	4,897	8,048	-	1,953	300	24,146	8,425
	Receipts over (under) expenditures	(8,948)	(4,897)	(8,048)	50	(1,676)	290	(23,229)	1,973
	Unencumbered cash, beginning	8,948	4,897	8,048	945	2,472	-	25,310	23,337
	Unencumbered cash, ending	\$ -	-	-	995	796	290	2,081	25,310

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NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 440, Halstead, Kansas, is a municipality governed by an elected seven-member board. These financial statements present only the primary government of the District.

Fund Description

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

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

Governmental Funds

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

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

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

Fiduciary Funds

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

Basis of Accounting

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

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 District to use the statutory basis of accounting.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation that 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 generally accepted accounting principles (GAAP), 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 GAAP. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases and compensated absences are not presented in the financial statements.

Activity Funds

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

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. BUDGETARY INFORMATION (Continued)

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district and if this “legal max” budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. If this “legal max” budget is greater than the adopted budget, the District must amend the budget (see prior paragraph) to the “legal max” amount to have the additional budget authority. The “legal max” budget for the year ended June 30, 2012 was \$5,659,265.

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

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

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

- Textbook and student material revolving
- Student health initiative
- Contingency reserve
- Federal government programs
- School projects
- Gate receipts

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

3. DEPOSITS AND INVESTMENTS

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

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

3. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2012, the District's investments included only bank time deposits with a fair value of \$607,278 which are not subject to investment rating.

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

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

At June 30, 2012, the carrying amount of the District's deposits was \$2,841,069. The bank balance totaled \$2,912,524. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$267,648 was covered by FDIC insurance, and the remaining \$2,644,876 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Composition of Cash Balance

The cash balance of the District at June 30, 2012, consisted of the following accounts with local financial institutions:

Board Funds	
Now account	\$ 2,158,433
Certificates of deposit	600,000
Debit Card checking	3,500
Petty cash checking	1,500
Total board funds	<u>2,763,433</u>
Activity funds	
Demand deposits	16,140
NOW accounts	54,218
Certificates of deposit	7,278
Total activity funds	<u>77,636</u>
	<u>\$ 2,841,069</u>

Unified School District No. 440

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

4. LONG-TERM DEBT

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

Issue	Interest Rate	Date of Issue	Amount of Issue	Maturity Date	Balance 06/30/11	Additions	Retired/Refunded	Balance 06/30/12	Interest Paid
<b>General Obligation Bonds</b>									
School Improvement									
Series 2004	4.50 - 7.50%	06/01/04	\$ 9,830,000	08/01/29	\$ 9,140,000	-	8,360,000	780,000	449,275
Series 2012, Refunding	2.00 - 3.50%	02/15/12	8,720,000	08/01/29	-	8,720,000	-	8,720,000	-
					<u>9,140,000</u>	<u>8,720,000</u>	<u>8,360,000</u>	<u>9,500,000</u>	<u>449,275</u>
<b>Capital Lease Obligations</b>									
Equipment lease	3.897%	07/15/11	1,321,062	07/30/25	-	1,321,062	111,578	1,209,484	2,145
<b>Total Long-Term Debt</b>					<u>\$ 9,140,000</u>	<u>10,041,062</u>	<u>8,471,578</u>	<u>10,709,484</u>	<u>451,420</u>

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

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2030	Total
<b>Principal</b>									
General Obligation Bonds	\$ 285,000	340,000	370,000	395,000	405,000	2,330,000	3,070,000	2,305,000	9,500,000
Capital Lease Obligation	66,590	69,185	71,881	74,682	77,592	435,746	413,808	-	1,209,484
Total principal	<u>351,590</u>	<u>409,185</u>	<u>441,881</u>	<u>469,682</u>	<u>482,592</u>	<u>2,765,746</u>	<u>3,483,808</u>	<u>2,305,000</u>	<u>10,709,484</u>
<b>Interest</b>									
General Obligation Bonds	682,215	672,481	650,750	252,194	244,194	1,052,444	650,144	123,709	4,328,131
Capital Lease Obligation	47,133	44,538	41,842	39,041	36,131	132,871	41,087	-	382,643
Total interest	<u>729,348</u>	<u>717,019</u>	<u>692,592</u>	<u>291,235</u>	<u>280,325</u>	<u>1,185,315</u>	<u>691,231</u>	<u>123,709</u>	<u>4,710,774</u>
Total principal and interest	<u>\$ 1,080,938</u>	<u>1,126,204</u>	<u>1,134,473</u>	<u>760,917</u>	<u>762,917</u>	<u>3,951,061</u>	<u>4,175,039</u>	<u>2,428,709</u>	<u>15,420,258</u>

Advanced Refunding

In order to achieve an interest cost savings, the District issued GO refunding bonds Series 2012. Proceeds from the issue totaling \$9,047,135 were deposited to an irrevocable escrow account to pay the callable portion of the Series 2004 GO bonds; \$8,145,000 principal, plus interest through the optional call date. The refunded debt carried interest rates ranging from 4.50% to 7.50%, and had a final maturity date in 2029. Interest rates for the Series 2012 refunding bonds carry interest rates ranging from 2.00% to 3.50%, and are scheduled to mature in 2029. This refunding transaction resulted in a net present value economic gain of \$603,158.

5. COMPENSATED ABSENCES

Full-time classified employees earn ten days of paid vacation upon completion of one year of employment. From two through ten years of service, eleven days of paid vacation is earned. After ten years of service, classified employees earn sixteen days of paid vacation per year. Certified employees earn no vacation. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Full-time classified and certified employees earn approximately fifteen days of paid sick leave in one year of service which can be accumulated to a maximum of seventy days. Unused sick leave is not paid to employees upon termination. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

6. PRIOR PERIOD ADJUSTMENT – STATE AID REVENUE RECOGNITION

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require, for budget purposes, that the District record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. For years ending prior to June 30, 2012, these July payments were recognized for financial statement reporting in the following year, when the cash payments were received. This policy was based on guidance from the Kansas Municipal Audit Guide (KMAG). The proposed 2013 Kansas Municipal Audit and Accounting Guide (KMAAG) considers these payments received subsequent to year-end to be a “receipt in transit”, and therefore should be recognized as a cash receipt and state aid revenue in the fiscal year that matches the budget to which it applies. The District has implemented this change for the year ended June 30, 2012, as allowed by KMAG Technical Amendment 2011-1. Accordingly, beginning fund equity at July 1, 2010 and 2011; as well as state aid revenue in the General and Supplemental General funds for the year ended June 30, 2011, have been restated to reflect this change in accounting policy.

The following schedules summarize the changes to fund equity at July 1, 2010 and 2011:

	<u>General</u>	<u>Supplemental General</u>
Unencumbered Cash, July 1, 2010		
As originally reported	\$ (575,728)	(60,044)
July 2010 payment previously reported as revenue for the year ended June 30, 2011	<u>575,728</u>	<u>137,043</u>
As restated	<u>\$ -</u>	<u>76,999</u>
 Unencumbered Cash, July 1, 2011		
As originally reported	\$ (477,241)	(16,710)
July 2011 payment previously reported as revenue for the year ended June 30, 2012	<u>477,241</u>	<u>43,087</u>
As restated	<u>\$ -</u>	<u>26,377</u>

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et. seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603-3803) or by calling 1-888-275-5737.



NOTES TO FINANCIAL STATEMENTS

June 30, 2012

7. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4.0% to 6.0% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The contribution rate for the state for the period from July 1, 2011 through June 30, 2012 was 9.77% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2012, 2011 and 2010 were \$298,635,383, \$253,834,044 and \$248,468,186 respectively, equal to the required contributions for each year.

8. INTERFUND TRANSACTIONS

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

	Transfers to		Transfers from			
		Total	General	Supplemental General	Summer School	Contingency Reserve
General	\$	227,713	-	-	6,215	221,498
At Risk (K-12)		362,373	26,614	335,759	-	-
At Risk (4-yr. Old)		47,765	-	47,765	-	-
Driver Training		6,905	-	6,905	-	-
Food Service		30,823	-	30,823	-	-
Professional Development		29,014	-	29,014	-	-
Parent Education		3,000	-	3,000	-	-
Special Education		1,002,295	912,101	90,194	-	-
Vocational Education		126,510	-	126,510	-	-
Virtual Education		7,068	-	7,068	-	-
Contingency Reserve		100,000	100,000	-	-	-
	\$	<u>1,943,466</u>	<u>1,038,715</u>	<u>677,038</u>	<u>6,215</u>	<u>221,498</u>

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other school districts in the State to participate in Kansas Association of School Boards (KASB) Risk Management Services, a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The District pays an annual premium to KASB Risk Management Services for its workers compensation insurance coverage. The agreement to participate provides that KASB Risk Management Services will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000 for each insured event.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

9 RISK MANAGEMENT (Continued)

The District continues to carry commercial insurance for all other risks of loss, including liability, property, inland marine, linebacker, and fleet coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. DATE OF MANAGEMENT'S REVIEW

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