

**UNIFIED SCHOOL DISTRICT NO. 466
SCOTT CITY, KANSAS**

Primary Government Financial Statements
With Independent Auditors' Report

For the Year Ended June 30, 2012

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Primary Government Financial Statements With Independent Auditors' Report
For the Year Ended June 30, 2012

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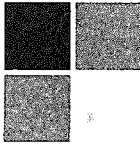
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Primary Government Financial Statements With Independent Auditors' Report
For the Year Ended June 30, 2012

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Unified School District No. 466 Scott City, Kansas
Scott City, Kansas

We have audited the accompanying primary government financial statements of **Unified School District No. 466 Scott City, Kansas**, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of **Unified School District No. 466 Scott City, Kansas**' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

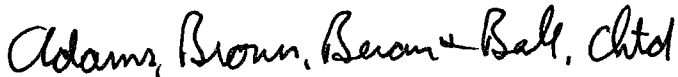
The financial statements referred to above include only the primary government of **Unified School District No. 466 Scott City, Kansas**, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of **Unified School District No. 466 Scott City, Kansas**, as of June 30, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, **Unified School District No. 466 Scott City, Kansas**, has issued separate reporting entity financial statements dated August 23, 2012.

As described more fully in Note 1, **Unified School District No. 466 Scott City, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose 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, are presumed to be material.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **Unified School District No. 466 Scott City, Kansas**, as of June 30, 2012, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of **Unified School District No. 466 Scott City, Kansas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Unified School District No. 466 Scott City, Kansas'** financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and is derived from and relates 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 as a whole.



ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

December 13, 2012

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended June 30, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Period Adjustments	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories								
General Funds								
General Fund	\$ (301,602)	301,602	-	5,966,054	5,966,054	-	43,711	43,711
Supplemental General Fund	263,703	11,762	-	1,939,064	2,048,688	165,841	49,811	215,652
Special Revenue Funds								
Capital Outlay Fund	365,514	-	100	598,293	687,297	276,610	163,176	439,786
Bilingual Education Fund	24,713	-	-	164,621	165,334	24,000	-	24,000
Driver Training Fund	15,725	-	-	9,226	8,929	16,022	49	16,071
Food Service Fund	156,302	-	-	501,580	469,024	188,858	-	188,858
Professional Development Fund	60,313	-	-	54,614	49,944	64,983	3,954	68,937
Parent Education Fund	13,000	-	-	14,000	13,500	13,500	-	13,500
Special Education Fund	233,217	-	-	629,120	629,553	232,784	-	232,784
Vocational Education Fund	34,810	-	-	215,957	214,841	35,926	2,000	37,926
KPERS Retirement Special Contribution Fund	-	-	-	571,248	571,248	-	-	-
Contingency Reserve Fund	544,481	-	-	29,577	68,149	505,909	-	505,909
Textbook Rental Fund	74,136	-	-	45,047	60,129	59,054	-	59,054
At Risk (4 Year Old) Fund	10,000	-	-	69,400	69,400	10,000	-	10,000
At Risk (K-12) Fund	-	-	-	694,386	694,386	-	43,655	43,655
Virtual Education Fund	10,000	-	-	53,767	53,578	10,189	-	10,189
Title I Low Income Fund	-	-	-	148,281	148,281	-	3,586	3,586
Title II D ARRA Fund	(2,987)	-	-	2,987	-	-	593	593
Title III - Technology Literacy Challenge Fund	-	-	-	14,733	14,733	-	4,148	4,148
Title II - Improving Teacher Quality Fund	-	-	-	32,364	32,364	-	-	-
21st Century Community Learning Centers Fund	63,714	-	-	193,384	201,761	55,337	11,480	66,817
After School Adventures Fund	2,778	-	-	1,151	2,035	1,894	-	1,894
Migrant Fund	-	-	-	70,000	70,000	-	-	-
Gifts and Grants Fund	28,998	-	-	19,219	45,485	2,732	-	2,732
Recreation Commission Fund	20,304	-	-	186,731	195,500	11,535	-	11,535
Recreation Commission Employee Benefits Fund	2,506	-	-	23,334	24,200	1,640	-	1,640
District Activity Funds	85,367	-	-	792,513	641,604	236,276	302,003	538,279
Debt Service Fund								
Bond and Interest Fund	1,403,635	-	-	1,507,958	1,222,251	1,689,342	-	1,689,342
Capital Project Fund								
Fieldhouse Construction Fund	34,081	-	-	289,753	323,834	-	-	-
Total Primary Government (Excluding Agency Funds)	\$ 3,142,708	313,364	100	14,838,362	14,692,102	3,602,432	628,166	4,230,598
Composition of Cash					Checking Accounts	\$ 1,296,536		
					Savings Accounts	3,024,147		
					Cash on Hand	175		
					Total Cash	4,320,858		
					Agency Funds per Statement 4	(90,260)		
					Total Primary Government (Excluding Agency Funds)	\$ 4,230,598		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2012

Funds	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)
Governmental Fund Categories						
General Funds						
General Fund	\$ 6,093,789	(248,397)	120,662	5,966,054	5,966,054	-
Supplemental General Fund	2,083,265	(34,577)	-	2,048,688	2,048,688	-
Special Revenue Funds						
Capital Outlay Fund	689,597	-	-	689,597	687,297	(2,300)
Bilingual Education Fund	165,334	-	-	165,334	165,334	-
Driver Training Fund	8,929	-	-	8,929	8,929	-
Food Service Fund	451,962	-	17,062	469,024	469,024	-
Professional Development Fund	58,550	-	-	58,550	49,944	(8,606)
Parent Education Fund	13,500	-	-	13,500	13,500	-
Special Education Fund	650,042	-	-	650,042	629,553	(20,489)
Vocational Education Fund	216,550	-	-	216,550	214,841	(1,709)
KPERs Retirement Special Contribution Fund	594,772	-	-	594,772	571,248	(23,524)
At Risk (4 Year Old) Fund	69,400	-	-	69,400	69,400	-
At Risk (K-12) Fund	697,808	-	-	697,808	694,386	(3,422)
Virtual Education Fund	115,000	-	-	115,000	53,578	(61,422)
Gifts and Grants Fund	472,482	-	-	472,482	45,485	(426,997)
Recreation Commission Fund	195,500	-	-	195,500	195,500	-
Recreation Commission Employee Benefits Fund	24,200	-	-	24,200	24,200	-
Debt Service Fund						
Bond and Interest Fund	1,243,323	-	-	1,243,323	1,222,251	(21,072)

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 1,495,999	1,629,910	1,538,553	91,357
Delinquent Tax	8,654	7,242	5,037	2,205
Intergovernmental Revenues				
Mineral Severance Tax	46,028	47,019	46,028	991
Reimbursed Expenses	155,900	117,980	-	117,980
Special Education Aid	436,823	475,269	475,269	-
Equalization Aid	3,691,121	3,683,063	3,657,604	25,459
Federal Aid - Title VI	485	-	-	-
Federal Aid - Education Jobs	194,523	2,889	-	2,889
Federal Aid - ARRA	111,093	-	-	-
Miscellaneous Revenue	-	2,682	-	2,682
Transfers In	-	-	122,901	(122,901)
Total Cash Receipts	6,140,626	5,966,054	5,845,392	120,662
Expenditures				
Instruction	3,081,663	3,010,950	3,026,667	(15,717)
Student Support Services	-	854	-	854
Instructional Support Services	61,656	56,019	76,537	(20,518)
General Administration	338,594	377,326	345,093	32,233
School Administration	175,689	154,924	171,531	(16,607)
Operations and Maintenance	691,708	807,357	589,341	218,016
Student Transportation Services	284,067	297,219	281,568	15,651
Other Supplemental Service	-	601	58,462	(57,861)
Reimbursed Expenses	71,269	56,606	-	56,606
Transfers Out	1,435,979	1,204,198	1,544,590	(340,392)
Adjustment to Comply With Legal Max	-	-	(248,397)	248,397
Legal General Fund Budget	6,140,625	5,966,054	5,845,392	120,662
(a) Adjustment for Qualifying Budget Credit	-	-	120,662	(120,662)
Total Expenditures	6,140,625	5,966,054	5,966,054	-
Cash Receipts Over (Under) Expenditures	1	-		
Unencumbered Cash - Beginning As Previously Stated	(1)	(301,602)		
Prior Period Adjustment	-	301,602		
Unencumbered Cash - Beginning As Restated	-	-		
Unencumbered Cash - Ending	\$ -	-		
(a) Adjustment for Qualifying Budget Credit				
Reimbursements Over Amount Budgeted			\$ 117,980	
Miscellaneous Revenue Over Amount Budgeted			2,682	
Total			120,662	

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Supplemental General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 1,692,610	1,594,615	1,478,631	115,984
Delinquent Tax	11,986	10,296	5,699	4,597
Motor Vehicle Tax	141,892	150,969	146,598	4,371
Recreational Vehicle Tax	2,156	2,368	2,231	137
Intergovernmental Revenues				
Mentor Teacher Grant	1,000	-	-	-
Equalization Aid	197,963	178,156	174,640	3,516
Miscellaneous Revenue	-	2,660	-	2,660
Total Cash Receipts	<u>2,047,607</u>	<u>1,939,064</u>	<u>1,807,799</u>	<u>131,265</u>
Expenditures				
Instruction	303,504	161,440	236,236	(74,796)
Student Support Services	82,540	85,194	81,857	3,337
Instructional Support Services	171,830	192,123	170,831	21,292
Operations and Maintenance	345,132	394,110	476,940	(82,830)
General Administration	34,077	42,902	34,077	8,825
School Administration	356,363	388,517	356,362	32,155
Student Transportation Services	32,755	41,065	32,754	8,311
Facility Acquisition and Maintenance	26,500	-	-	-
Transfers Out	679,166	743,337	694,208	49,129
Adjustment to Comply With Legal Max	-	-	(34,577)	34,577
Legal Supplemental General Fund Budget	<u>2,031,867</u>	<u>2,048,688</u>	<u>2,048,688</u>	<u>-</u>
Total Expenditures	<u>2,031,867</u>	<u>2,048,688</u>	<u>2,048,688</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	<u>15,740</u>	<u>(109,624)</u>		
Unencumbered Cash - Beginning As Previously Stated	259,725	263,703		
Prior Period Adjustment	<u>-</u>	<u>11,762</u>		
Unencumbered Cash - Beginning As Restated	<u>259,725</u>	<u>275,465</u>		
Unencumbered Cash - Ending	<u>\$ 275,465</u>	<u>165,841</u>		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Capital Outlay Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 475,314	515,134	487,349	27,785
Delinquent Tax	3,236	2,869	1,601	1,268
Motor Vehicle Tax	39,622	41,464	40,145	1,319
Recreational Vehicle Tax	599	601	611	(10)
Interest on Idle Funds	17,475	12,240	17,475	(5,235)
Other Revenue	14,195	25,985	16,089	9,896
Transfers In	61,389	-	100,000	(100,000)
Total Cash Receipts	611,830	598,293	663,270	(64,977)
Expenditures				
Central Services	139,800	164,172	137,966	26,206
Student Transportation Services	84,567	69,693	154,564	(84,871)
Operations and Maintenance	-	131,014	-	131,014
Lease Payment	-	30,000	-	30,000
Facility Acquisition and Construction	415,848	292,418	397,067	(104,649)
Total Expenditures	640,215	687,297	689,597	(2,300)
Cash Receipts Over (Under) Expenditures	(28,385)	(89,004)		
Unencumbered Cash - Beginning	380,968	365,514		
Prior Year Cancelled Encumbrances	12,931	100		
Unencumbered Cash - Ending	\$ 365,514	276,610		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Bilingual Education Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Transfers In	\$ 175,000	164,621	<u>205,000</u>	<u>(40,379)</u>
Expenditures				
Instruction	<u>165,335</u>	<u>165,334</u>	<u>165,334</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	9,665	(713)		
Unencumbered Cash - Beginning	<u>15,048</u>	<u>24,713</u>		
Unencumbered Cash - Ending	\$ <u>24,713</u>	<u>24,000</u>		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Driver Training Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental Revenue				
State Aid	\$ 2,886	3,666	2,812	854
Other Revenue From Local Sources	7,952	4,560	7,952	(3,392)
Transfers In	-	1,000	-	1,000
Total Cash Receipts	10,838	9,226	10,764	(1,538)
Expenditures				
Instruction	8,929	8,929	8,929	-
Cash Receipts Over (Under) Expenditures	1,909	297		
Unencumbered Cash - Beginning	13,816	15,725		
Unencumbered Cash - Ending	\$ 15,725	16,022		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Food Service Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental Revenues				
State Aid	\$ 5,129	5,068	3,843	1,225
Federal Aid	225,155	252,205	220,031	32,174
Fruits and Vegetables Grant	-	17,062	-	17,062
Charges for Services	173,698	188,373	153,147	35,226
Miscellaneous	12,573	13,872	12,895	977
Transfers In	50,000	25,000	50,000	(25,000)
Total Cash Receipts	466,555	501,580	439,916	61,664
Expenditures				
Operations and Maintenance	15,458	22,461	14,254	8,207
Food Service Operation	418,068	446,563	437,708	8,855
(a) Adjustment for Qualifying Budget Credit	-	-	17,062	(17,062)
Total Expenditures	433,526	469,024	469,024	-
Cash Receipts Over (Under) Expenditures	33,029	32,556		
Unencumbered Cash - Beginning	123,273	156,302		
Unencumbered Cash - Ending	\$ 156,302	188,858		
(a) Adjustment for Qualifying Budget Credit				
Grant Revenue Over amount Budgeted			\$ 17,062	

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Professional Development Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Miscellaneous	\$ 100	-	100	(100)
Transfers In	38,000	54,614	38,000	16,614
Total Cash Receipts	38,100	54,614	38,100	16,514
Expenditures				
Instructional Support Services	19,990	49,944	58,550	(8,606)
Cash Receipts Over (Under) Expenditures	18,110	4,670		
Unencumbered Cash - Beginning	42,203	60,313		
Unencumbered Cash - Ending	\$ 60,313	64,983		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Parent Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Transfers In	\$ 26,000	14,000	<u>13,500</u>	<u>500</u>
Expenditures				
Student Support Services	<u>13,000</u>	<u>13,500</u>	<u>13,500</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	13,000	500		
Unencumbered Cash - Beginning	<u>-</u>	<u>13,000</u>		
Unencumbered Cash - Ending	\$ <u>13,000</u>	<u>13,500</u>		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Special Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Revenue From Local Sources	\$ 3,250	3,351	3,250	101
Transfers In	666,823	625,769	736,823	(111,054)
Total Cash Receipts	670,073	629,120	<u>740,073</u>	<u>(110,953)</u>
Expenditures				
Instruction	593,742	627,312	648,490	(21,178)
Student Transportation Services	-	-	1,236	(1,236)
Student Support Services	1,551	2,241	316	1,925
Total Expenditures	595,293	629,553	<u>650,042</u>	<u>(20,489)</u>
Cash Receipts Over (Under) Expenditures	74,780	(433)		
Unencumbered Cash - Beginning	158,437	233,217		
Unencumbered Cash - Ending	\$ <u>233,217</u>	<u>232,784</u>		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Vocational Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Miscellaneous	\$ 636	556	636	(80)
Transfers In	220,166	215,401	220,167	(4,766)
Total Cash Receipts	220,802	215,957	220,803	(4,846)
Expenditures				
Instruction	185,035	187,968	185,036	2,932
Student Support Services	18,279	21,200	16,278	4,922
Instructional Support Staff	3,236	5,673	15,236	(9,563)
Total Expenditures	206,550	214,841	216,550	(1,709)
Cash Receipts Over (Under) Expenditures	14,252	1,116		
Unencumbered Cash - Beginning	20,558	34,810		
Unencumbered Cash - Ending	\$ 34,810	35,926		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
KPERS Retirement Special Contribution Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental Revenue				
State Aid	\$ 330,429	571,248	594,772	(23,524)
Expenditures				
Instruction	235,666	400,810	500,010	(99,200)
Student Support Services	4,838	10,568	4,838	5,730
Instructional Support	7,206	14,516	7,206	7,310
General Administration	6,529	19,250	6,529	12,721
School Administration	28,308	46,895	28,308	18,587
Operations and Maintenance	31,946	52,108	31,946	20,162
Student Transportation Services	7,185	12,278	7,185	5,093
Food Service	8,751	14,823	8,750	6,073
Total Expenditures	330,429	571,248	594,772	(23,524)
Cash Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	-	-		
Unencumbered Cash - Ending	\$ -	-		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Contingency Reserve Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ -	29,577
Expenditures	-	68,149
Cash Receipts Over (Under) Expenditures	-	(38,572)
Unencumbered Cash - Beginning	544,481	544,481
Unencumbered Cash - Ending	\$ 544,481	505,909

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Textbook Rental Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Other Income	\$ 41,106	45,047
Expenditures		
Textbooks	14,189	60,129
Cash Receipts Over (Under) Expenditures	26,917	(15,082)
Unencumbered Cash - Beginning	47,219	74,136
Unencumbered Cash - Ending	\$ 74,136	59,054

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
At Risk (4 Year Old) Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Transfers In	\$ 80,000	69,400	<u>72,500</u>	<u>(3,100)</u>
Expenditures				
Instruction	<u>70,000</u>	<u>69,400</u>	<u>69,400</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	10,000	-		
Unencumbered Cash - Beginning	<u>-</u>	<u>10,000</u>		
Unencumbered Cash - Ending	<u>\$ 10,000</u>	<u>10,000</u>		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
At Risk (K-12) Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Transfers In	\$ 692,767	694,386	<u>697,808</u>	<u>(3,422)</u>
Expenditures				
Instruction	<u>704,743</u>	<u>694,386</u>	<u>697,808</u>	<u>(3,422)</u>
Cash Receipts Over (Under) Expenditures	(11,976)	-		
Unencumbered Cash - Beginning	<u>11,976</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. 466 SCOTT CITY, KANSAS
Virtual Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Transfers In	\$ 105,000	53,767	<u>105,000</u>	<u>(51,233)</u>
Expenditures				
Instruction	<u>95,000</u>	<u>53,578</u>	<u>115,000</u>	<u>(61,422)</u>
Cash Receipts Over (Under) Expenditures	10,000	189		
Unencumbered Cash - Beginning	<u>-</u>	<u>10,000</u>		
Unencumbered Cash - Ending	<u>\$ 10,000</u>	<u>10,189</u>		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Title I Low Income Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 213,990	148,281
Expenditures		
Instruction	214,026	148,281
Cash Receipts Over (Under) Expenditures	(36)	-
Unencumbered Cash - Beginning	36	-
Unencumbered Cash - Ending	\$ -	-

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Title II D ARRA Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid	\$ -	2,987
Expenditures		
Student Assistance Program	2,987	-
Cash Receipts Over (Under) Expenditures	(2,987)	2,987
Unencumbered Cash - Beginning	-	(2,987)
Unencumbered Cash - Ending	\$ (2,987)	-

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Title III - Technology Literacy Challenge Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 15,638	14,733
Expenditures		
Instruction	15,638	14,733
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Title II - Improving Teacher Quality Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 36,580	32,364
Expenditures		
Instruction	36,580	32,364
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Title II - Technology Literacy Challenge Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 477	-
Expenditures		
Instruction	477	-
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
21st Century Community Learning Centers Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 100,000	165,611
Charges for Services	20,440	27,773
Total Cash Receipts	120,440	193,384
Expenditures		
Instruction	66,750	110,431
Student Support Services	25,136	91,330
Total Expenditures	91,886	201,761
Cash Receipts Over (Under) Expenditures	28,554	(8,377)
Unencumbered Cash - Beginning	35,160	63,714
Unencumbered Cash - Ending	\$ 63,714	55,337

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
After School Adventures Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Charges for Services	\$ 1,596	1,151
Expenditures		
Instruction	1,469	2,035
Cash Receipts Over (Under) Expenditures	127	(884)
Unencumbered Cash - Beginning	2,651	2,778
Unencumbered Cash - Ending	\$ 2,778	1,894

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Migrant Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ -	70,000
Expenditures		
Instruction	-	70,000
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Gifts and Grants Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental Revenue				
State Aid	\$ 3,305	200	-	200
Grants	8,500	8,500	-	8,500
Donations	15,000	7,217	-	7,217
Local Revenue	32,919	3,302	516,724	(513,422)
Total Cash Receipts	59,724	19,219	516,724	(497,505)
Expenditures				
Instruction	15,856	45,485	472,482	(426,997)
Football Field Score Board	15,000	-	-	-
Total Expenditures	30,856	45,485	472,482	(426,997)
Cash Receipts Over (Under) Expenditures	28,868	(26,266)		
Unencumbered Cash - Beginning	130	28,998		
Unencumbered Cash - Ending	\$ 28,998	2,732		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Recreation Commission Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 158,452	171,772	162,451	9,321
Delinquent Tax	1,138	954	534	420
Motor Vehicle Tax	13,200	13,799	13,389	410
Recreational Vehicle Tax	202	206	204	2
Total Cash Receipts	172,992	186,731	176,578	10,153
Expenditures				
Community Service Operations	168,995	195,500	195,500	-
Cash Receipts Over (Under) Expenditures	3,997	(8,769)		
Unencumbered Cash - Beginning	16,307	20,304		
Unencumbered Cash - Ending	\$ 20,304	11,535		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Recreation Commission Employee Benefits Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 19,798	21,459	20,273	1,186
Delinquent Tax	145	122	67	55
Motor Vehicle Tax	1,702	1,725	1,669	56
Recreational Vehicle Tax	26	28	25	3
Total Cash Receipts	21,671	23,334	22,034	1,300
Expenditures				
Community Service Operations	21,840	24,200	24,200	-
Cash Receipts Over (Under) Expenditures	(169)	(866)		
Unencumbered Cash - Beginning	2,675	2,506		
Unencumbered Cash - Ending	\$ 2,506	1,640		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 1,182,423	1,389,488	1,310,275	79,213
Delinquent Tax	3,260	2,914	3,982	(1,068)
Motor Vehicle Tax	91,854	102,950	99,977	2,973
Recreational Vehicle Tax	1,403	1,617	1,522	95
Excise and Redemption Tax	5,077	4,073	-	4,073
Interest on Idle Funds	4,799	2,425	-	2,425
Miscellaneous Revenue	-	4,491	-	4,491
Total Cash Receipts	<u>1,288,816</u>	<u>1,507,958</u>	<u>1,415,756</u>	<u>92,202</u>
Expenditures				
Principal	725,000	770,000	770,000	-
Postage and Commission	-	270	-	270
Interest	<u>503,058</u>	<u>451,981</u>	<u>473,323</u>	<u>(21,342)</u>
Total Expenditures	<u>1,228,058</u>	<u>1,222,251</u>	<u>1,243,323</u>	<u>(21,072)</u>
Cash Receipts Over (Under) Expenditures	60,758	285,707		
Unencumbered Cash - Beginning	<u>1,342,877</u>	<u>1,403,635</u>		
Unencumbered Cash - Ending	<u>\$ 1,403,635</u>	<u>1,689,342</u>		

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Fieldhouse Construction Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2012
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Lease Proceeds	\$ 300,000	-
Donations	457,000	289,753
Total Cash Receipts	757,000	289,753
Expenditures		
Construction Costs	722,919	323,834
Cash Receipts Over (Under) Expenditures	34,081	(34,081)
Unencumbered Cash - Beginning	-	34,081
Unencumbered Cash - Ending	\$ 34,081	-

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Agency Funds

Summary of Cash Receipts and Cash Disbursements

For the Year Ended June 30, 2012

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
High School				
Art Club	\$ 1,336	1,182	983	1,535
Band	1,441	22,751	22,573	1,619
Band Travel	302	51,909	48,801	3,410
Cheerleaders	1,043	20,294	21,199	138
Summer School	2,596	1,110	3,706	-
Class of 2013	210	16,843	12,625	4,428
Class of 2014	119	100	50	169
Class of 2015	1,330	-	1,330	-
Class of 2016	5,727	-	3,512	2,215
PE Club	83	7,042	7,051	74
Dance Team	260	9,935	8,674	1,521
Faculty	161	1,542	1,700	3
FFA	8,266	59,553	65,400	2,419
Musical	25	6,033	5,703	355
Guitar	271	118	15	374
Comp Tech	454	300	300	454
National Honor Society	92	900	426	566
HALO	-	2,903	1,394	1,509
FBLA	2,994	1,083	996	3,081
Bio Club	1,342	5,163	2,418	4,087
Student Council	4,316	9,580	11,196	2,700
Vocal	730	3,829	1,774	2,785
Vocal Travel	5,691	16,948	20,630	2,009
Wood Skills Club	3,593	4,471	3,102	4,962
Weightlifting	6,670	10,137	8,617	8,190
Total High School	49,052	253,726	254,175	48,603
Middle School				
Band	564	765	723	606
Cheerleading	249	2,276	1,371	1,154
Student Council	27,616	7,083	4,328	30,371
Total Middle School	28,429	10,124	6,422	32,131
Elementary School				
Music	192	195	151	236
AR	808	1,067	1,805	70
After School	13	1,221	1,221	13
Grants and Gifts	2,546	3,800	4,028	2,318
Total Elementary School	\$ 3,559	6,283	7,205	2,637

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Agency Funds

Summary of Cash Receipts and Cash Disbursements

For the Year Ended June 30, 2012

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
High School				
Alumni	\$ 6,449	740	300	6,889
Total	\$ 87,489	270,873	268,102	90,260

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
District Activity Funds
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended June 30, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts							
High School							
Athletics	\$ 33,509	-	173,025	146,297	60,237	-	60,237
Middle School							
Athletics	6,612	-	19,236	18,520	7,328	-	7,328
Total Gate Receipts	40,121	-	192,261	164,817	67,565	-	67,565
School Projects							
High School							
Academics	1,240	-	2,836	464	3,612	-	3,612
Auditorium	278	-	-	241	37	-	37
Activities Donations	14,185	-	4,445	5,842	12,788	-	12,788
FACS	1	-	1,160	598	563	-	563
History Account	313	-	1,055	948	420	-	420
Hyper Overtones	19	-	-	-	19	-	19
Hospitality	697	-	5,330	5,939	88	-	88
Library	1,509	-	282	451	1,340	-	1,340
Ag Business	-	-	6,607	6,607	-	-	-
Scholar's Bowl	783	-	350	90	1,043	-	1,043
Speech/Debate	1,854	-	5,753	5,162	2,445	-	2,445
Yearbook	3,995	-	11,486	6,602	8,879	-	8,879
Physics/Electric Car	61	-	4,100	3,212	949	-	949
Agendas	1,094	-	1,337	1,737	694	-	694
Parking Permits/Lock Rent	1,842	-	240	145	1,937	-	1,937
All School Play	1,076	-	872	864	1,084	-	1,084
Total High School	28,947	-	45,853	38,902	35,898	-	35,898
Middle School							
Yearbook	533	-	-	-	533	-	533
Library	326	-	51	173	204	-	204
Pop Fund	1,847	-	1,272	1,504	1,615	-	1,615
Total Middle School	2,706	-	1,323	1,677	2,352	-	2,352
Elementary School							
Account Contributions/Book Fair	11,805	-	9,566	9,335	12,036	-	12,036
Library	719	-	215	340	594	-	594
Yearbook	1,069	-	970	1,000	1,039	-	1,039
Total Elementary School	13,593	-	10,751	10,675	13,669	-	13,669
Total School Projects	45,246	-	57,927	51,254	51,919	-	51,919
Annex Fire Project	-	-	542,325	425,533	116,792	302,003	418,795
Total District Activity Funds	\$ 85,367	-	792,513	641,604	236,276	302,003	538,279

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Notes to Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unified School District No. 466 Scott City, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The District is a municipal corporation governed by an elected seven-member board. These financial statements present the District's (primary government) statements only. They do not include the District's component unit, Scott Recreation Commission. The component unit is included in the District's reporting entity because of the significance of its operational or financial relationships with the District.

Scott Recreation Commission

The Recreation Commission oversees recreation 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 governing Scott Recreation Commission Board consists of five members, two are appointed by the District's board, two members are appointed by the City of Scott City, and one member is appointed by the other four members. The Recreation Commission issues audited financial statements. Contact the Board Clerk for information on how to obtain their financial information.

The District is the primary government as defined in GASB #14 and further amended by GASB #39. The Board of Education is elected by the public. The Board has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

Use of Estimates

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 the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the District are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Notes to Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District Activity Funds – a special revenue fund that accounts for the receipts and disbursements of monies from District activities. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. The students participate in the activities, but the board of education has control of the expenditures. This accounting reflects the District's agency relationship with the student activity organizations.

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

Capital Project Fund – to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Fund Categories

Agency Funds – to account for assets held by the District as trustee or agent for others.

Student Activity Funds – an agency fund that accounts for the receipts and disbursements of monies from student activity organizations in which the students participate and are involved in the management of the organization's activities. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. The student organization approves the expenditure, not the Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

Statutory Basis of Accounting

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

The District 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.

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 expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Notes to Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. 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 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were 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.

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 project funds, fiduciary funds, permanent funds, and the following special revenue funds: Contingency Reserve Fund, Textbook Rental Fund, Title I Low Income Fund, Title II D ARRA Fund, Title III-Technology Literacy Challenge Fund, Title II-Improving Teacher Quality Fund, 21st Century Community Learning Centers Fund, After School Adventures Fund, Migrant Fund and District Activity Funds.

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Notes to Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments

The District follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

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 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 investments 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 K.S.A. 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 does not use "peak periods". All deposits were legally secured at June 30, 2012.

At June 30, 2012, the District's carrying amount of deposits was \$4,320,858 and the bank balance was \$4,617,704. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$707,929 was covered by federal depository insurance and \$3,909,775 was collateralized with securities held by 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. The District had no investments at June 30, 2012.

Compensated Absences

The District's policy with regard to vacation does not provide for accumulation or carryover of benefits from one year to the next. All certified employees are allowed 14 days of sick leave per year accumulative to 65 days. Classified, 12 month staff are allowed 12 days of sick leave per year accumulative to 65 days. No payment is made for unused accumulated sick leave upon resignation or termination unless the employee retires with a minimum of 20 years of service. Personal leave is an additional 10 days for certified and 2 days for classified that must be used during the year or paid out at the end of the year for those days in excess of the maximum accumulated sick leave.

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Notes to Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A potential liability for sick leave and personal leave is shown on the schedule of long-term debt.

Deferred Compensation Plan

The District sponsors a deferred compensation plan under Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The District is not required to make any contributions.

Defined Benefit Pension Plan

Plan Description

The District 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% and 6% (if hired on or after July 1, 2009) of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.77% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. The State of Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2012, 2011 and 2010 were \$298,635,383, \$253,834,044, and \$248,468,186, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2012, 2011, and 2010 were \$571,248, \$330,429, and \$382,596, respectively.

Other Post Employment Benefits

Certified employees who retire with a minimum of 20 years of service in Scott County Schools may receive a benefit in an amount not to exceed a combined total of \$2,000. These benefits are computed on a combined basis of years of service at the rate of \$40 per year and accumulated unused sick leave at the rate of \$35 per day.

District employees will not be eligible for benefits as described in the preceding paragraph unless they have reached a total of 85 years combined age and teaching experience and notify the Board of their plans to retire by March 1 preceding their retirement year. At June 30, 2012, no employees qualified for these retirement benefits.

In addition, certified employees who retire with a minimum of 20 years of service in Scott County Schools, and reach age 62 on or before August 1st of the following school year, will be eligible to receive district sponsored health insurance premiums up to \$4,500 per year to age 65. For the year ended June 30, 2012, no retiree health insurance premiums were paid.

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

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Notes to Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the agency funds of the District for special purposes.

Reimbursements

The District records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **Unified School District No. 466 Scott City, Kansas'** interfund transfers and statutory authority for the year ended June 30, 2012 were as follows:

From	To	Statutory Authority	Amount
General Fund	Special Education Fund	K.S.A. 72-6428	\$ 625,769
General Fund	Vocational Education Fund	K.S.A. 72-6428	10,670
General Fund	Bilingual Education Fund	K.S.A. 72-6428	21,812
General Fund	At Risk (K-12) Fund	K.S.A. 72-6428	461,603
General Fund	Driver's Training Fund	K.S.A. 72-6428	1,000
General Fund	Virtual Education Fund	K.S.A. 72-6428	53,767
General Fund	Contingency Reserve	K.S.A. 72-6428	29,577
Supplemental General Fund	At Risk (K-12) Fund	K.S.A. 72-6433	232,783
Supplemental General Fund	Parent Education Fund	K.S.A. 72-6433	14,000
Supplemental General Fund	Bilingual Education Fund	K.S.A. 72-6433	142,809
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6433	204,731
Supplemental General Fund	At Risk (4 Year Old) Fund	K.S.A. 72-6433	69,400
Supplemental General Fund	Food Service Fund	K.S.A. 72-6433	25,000
Supplemental General Fund	Professional Development Fund	K.S.A. 72-6433	54,614

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Notes to Financial Statements

June 30, 2012

NOTE 4 – LITIGATION

Unified School District No. 466 Scott City, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the District.

NOTE 5 – RISK MANAGEMENT

Unified School District No. 466 Scott City, Kansas carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, crime, linebacker, worker's compensation and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – GRANTS AND SHARED REVENUES

Unified School District No. 466 Scott City, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 7 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **Unified School District No. 466 Scott City, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 8 – IN-SUBSTANCE RECEIPT IN TRANSIT

The District received \$384,037 subsequent to June 30, 2012 and as required by K.S.A. 72-6417 and 72-6434, the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2012.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

The General Fund and Supplemental General Fund Unencumbered Cash have been restated to \$0 and \$275,465, respectively, to be in conformity with the regulatory basis of accounting as of July 1, 2011.

The compensated absences balance at the beginning of the year has been restated to \$34,000. In prior years this amount had been left off the long-term debt schedule.

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Notes to Financial Statements

June 30, 2012

NOTE 10 – OPERATING LEASES

The District entered into a lease agreement on July 1, 2009 that extends to June 30, 2014, with Southwest Plains Regional Service Center to establish an interactive two-way educational television network for instruction. The District agreed to pay on or before each 1st day of June for the term of the agreement. The total expenses paid for the year ended June 30, 2012 were \$9,480 after e-rate discounts. The future annual lease payment requirements as of June 30 are as follows:

<u>Year</u>	<u>Amount</u>
2013	17,920
2014	17,920

NOTE 11 – LONG-TERM DEBT

Unified School District No. 466 Scott City, Kansas has the following types of long-term debt.

General Obligation Bond

On June 1, 2002, the District issued \$14,750,000 in Series 2002 General Obligation bonds to renovate and improve District buildings.

Refunded Bonds

On February 23, 2006, the District issued \$9,765,000 in General Obligation Refunding bonds. A portion of the proceeds from the sale of the bonds were used to establish an escrow account that will provide for payment of the callable portion of the District's General Obligation Refunding and school building bonds, Series 2002 and to redeem, on September 1, 2015, and thereafter (the "Refunded Bonds"). The refunding plan was undertaken in order to achieve interest cost savings and to provide a more orderly plan of financing for the District.

On September 1, 2011, the District issued \$1,650,000 in General Obligation Refunding Bonds. On September 1, 2011, the proceeds were added to the irrevocable escrow account to redeem General Obligation Refunding Bonds, Series 2002 maturing from 2013 through 2015.

According to the terms of this refunding plan, the refunded bonds will be called on September 1, 2012, and redeemed at such time, all in accordance with the resolution authorizing their issuance. The refunded bonds represent the entire callable portion of the District's General Obligation bonds, Series 2002. All refunded bonds will be called at a price equal to 100% of the par value thereof, without premium.

The defeasance clause in the Series 2002 issues allows the District to establish an irrevocable escrow account to hold any early bond payments. The District does not have control over this escrow account and the bond holder cannot hold the District liable for the series 2002 outstanding debt to be refunded with these bonds, only the escrow account. The District's financial statements do not include the escrow balance nor does it include the Series 2002 debt to be paid with these funds.

Upon the payment in full of the interest on the bonds to and including September 1, 2022 and the principal of the refunded bonds, all remaining money and escrowed securities in the escrow fund together with any interest thereon, shall be transferred to the District to be applied in accordance with the law.

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Notes to Financial Statements

June 30, 2012

NOTE 11 – LONG-TERM DEBT (continued)

<u>Series</u>	<u>Amount Outstanding Prior to Refunding</u>	Refunded Bonds		<u>Call Date</u>	<u>Call Price</u>
		<u>Amount to be Refunded</u>	<u>Maturity Dates to be Escrowed</u>		
2002	\$2,295,000	\$1,580,000	2013 - 2015	09/01/2012	100

Capital Leases

A capital lease obligation in the amount of \$956,081, entered into on April 11, 2005, consists of an obligation for the purchase of Energy Management Systems. The effective interest rate is 4.67 percent per annum. This lease contains a fiscal funding clause.

A capital lease obligation in the amount of \$300,000 entered into on March 28, 2011, consists of an obligation for the construction of the Fieldhouse. This lease contains a fiscal funding clause.

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Notes to Financial Statements
June 30, 2011

NOTE11 - LONG-TERM DEBT (continued)

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

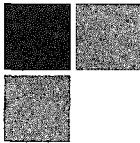
Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Series 2002	2.8%-5.25%	6/1/2002	\$ 14,750,000	9/1/2022	\$ 2,965,000	-	670,000		2,295,000	81,606
General Refunding Bonds										
Series 2006	3.5%-4.0%	2/23/2006	9,765,000	9/1/2022	9,345,000	-	100,000		9,245,000	353,875
Series 2011	2.000%	9/1/2011	1,650,000	9/1/2014	-	1,650,000	-		1,650,000	16,500
Capital Leases										
Lease Purchase/Energy Management	4.670%	4/11/2005	956,081	9/16/2020	679,348	-	58,308		621,040	31,053
Fieldhouse Lease	0.000%	3/28/2011	300,000	3/28/2021	300,000	-	30,000		270,000	-
Compensated Absences					34,000			(4,000)	30,000	
Total Long-Term Debt					\$ 13,323,348	1,650,000	858,308	(4,000)	14,111,040	483,034

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	2018-2022	2023-2026	Total
Principal								
General Obligation Bonds	\$ 2,295,000	-	-	-	-	-	-	2,295,000
General Refunding Bonds	130,000	895,000	935,000	920,000	970,000	5,710,000	1,335,000	10,895,000
Capital Leases	91,063	93,948	96,969	100,133	103,446	405,481	-	891,040
Total Principal	2,516,063	988,948	1,031,969	1,020,133	1,073,446	6,115,481	1,335,000	14,081,040
Interest								
General Obligation Bonds	15,015	-	-	-	-	-	-	15,015
General Refunding Bonds	383,075	371,275	351,240	324,395	289,890	844,413	26,700	2,590,988
Capital Leases	28,298	25,413	22,392	19,228	15,914	27,280	-	138,525
Total Interest	426,388	396,688	373,632	343,623	305,804	871,693	26,700	2,744,528
Total Principal and Interest	\$ 2,942,451	1,385,636	1,405,601	1,363,756	1,379,250	6,987,174	1,361,700	16,825,568

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Supplementary Information



Certified
Public
Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education

Unified School District No. 466 Scott City, Kansas
Scott City, Kansas

We have audited the financial statements of **Unified School District No. 466 Scott City, Kansas** as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. The report on the audited financial statements was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unqualified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of **Unified School District No. 466 Scott City, Kansas** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **Unified School District No. 466 Scott City, Kansas'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Unified School District No. 466 Scott City, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Unified School District No. 466 Scott City, Kansas'** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (2012-1, 2012-2) to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2012-3) to be a significant deficiency.

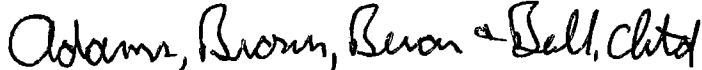
Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Unified School District No. 466 Scott City, Kansas'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **Unified School District No. 466, Scott City, Kansas** in a separate letter dated December 13, 2012.

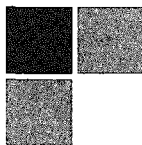
Unified School District No. 466 Scott City, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **Unified School District No. 466 Scott City, Kansas'** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Education, others within the entity, federal awarding agencies and pass-through entities, and State of Kansas, and is not intended to be and should not be used by anyone other than these specified parties.



ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

December 13, 2012



Certified
Public
Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education

Unified School District No. 466 Scott City, Kansas

Scott City, Kansas

Compliance

We have audited **Unified School District No. 466 Scott City, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **Unified School District No. 466 Scott City, Kansas'** major federal programs for the year ended June 30, 2012. **Unified School District No. 466 Scott City, Kansas'** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **Unified School District No. 466 Scott City, Kansas'** management. Our responsibility is to express an opinion on **Unified School District No. 466 Scott City, Kansas'** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Unified School District No. 466 Scott City, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **Unified School District No. 466 Scott City, Kansas'** compliance with those requirements.

In our opinion, **Unified School District No. 466 Scott City, Kansas** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of **Unified School District No. 466 Scott City, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **Unified School District No. 466 Scott City, Kansas'** internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control

over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Unified School District No. 466 Scott City, Kansas'** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Education, others within the entity, federal awarding agencies and pass-through entities, and State of Kansas, and is not intended to be and should not be used by anyone other than these specified parties.



ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

December 13, 2012

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Qualified

Internal control over financial reporting

- | | | | | |
|---|-------------------|-----|-------------------|----|
| • Material weakness identified? | <u>X</u> | Yes | <u> </u> | No |
| • Significant deficiency identified? | <u>X</u> | Yes | <u> </u> | No |
| • Noncompliance material to financial statements noted? | <u> </u> | Yes | <u>X</u> | No |

FEDERAL AWARDS

Internal control over major programs:

- | | | | | |
|--------------------------------------|-------------------|-----|----------|---------------|
| • Material weakness identified? | <u> </u> | Yes | <u>X</u> | No |
| • Significant deficiency identified? | <u> </u> | Yes | <u>X</u> | None reported |

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program
84.287	21st Century Community Learning Center
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2012-1

Criteria

Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of the problems or irregularities within a timely manner.

Cause

The District is unable to hire additional personnel due to its size.

Recommendation

Procedures should be established and implemented where the District implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The District is aware that employees have incompatible duties, and that additional control measures can be implemented to compensate for this. The District will work on implementing additional controls to compensate for the lack of segregation of duties.

2012-2

Criteria

Internal controls should be in place to ensure that encumbrances are recorded in the correct period.

Condition

The District did not record encumbrances and corresponding expenditures in the amount of \$16,286.

Effect

The District's unencumbered cash balances for three funds were overstated as of June 30, 2012.

Cause

Invoices received in July 2012 and beyond were for goods or services received in June but were not recorded as an encumbrance and a corresponding expenditure prior to June 30, 2012.

Recommendation

All material invoices received after year end should be reviewed to determine if the expenditure was for the previous year and recorded in the proper year it became an encumbrance of the District.

Views of responsible officials and planned corrective actions

Invoices for prior year expenditures were paid and recorded in the current year. In the future, the Treasurer will closely monitor expenditures at year end. Prior to closing the books at year end, they will record encumbrances for known or estimated expenditures associated with the year.

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

B. Significant Deficiency in Internal Control

2012-3

Criteria

Client personnel responsible for the accounting and reporting function should have the necessary skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or when preparing financial statements.

Condition

Client personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles.

Effect

Financial transactions and financial statements may not properly reflect financial information in accordance with generally accepted accounting principles.

Cause

The District's employees are unable to obtain the training necessary to obtain these skills due to its size and financial resources.

Recommendation

Continual training of accounting personnel should be implemented to ensure financial transactions and financial statements are being presented as accurately as possible.

Views of responsible officials and planned corrective actions

The District is aware that personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles. However, due to the size and financial resources of the District, it would not be feasible to obtain the necessary training.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

No material findings or questioned costs for the year ended June 30, 2011 are required to be disclosed under OMB Circular A-133.

UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through Kansas State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 36,798
National School Lunch Program	10.555	N/A	212,582
Special Milk Program for Children	10.556	N/A	655
Summer Food Service Program for Children	10.559	N/A	<u>2,170</u>
Total Child Nutrition Cluster			252,205
Fresh Fruit and Vegetable Program	10.582	N/A	<u>17,062</u>
Total U.S. Department of Agriculture			<u>269,267</u>
U.S. Department of Education			
Passed Through Kansas State Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	N/A	148,281
Migrant Education - State Grant Program	84.011	N/A	70,000
21st Century Community Learning Center	84.287	N/A	173,723
English Language Acquisition State Grants	84.365	N/A	14,733
Improving Teacher Quality State Grants	84.367	N/A	32,364
Education Technology State Grants, Recovery Act	84.386	N/A	2,987
Education Jobs Fund	84.410	N/A	<u>2,889</u>
Total U.S. Department of Education			<u>444,977</u>
Total Expenditures of Federal Awards			\$ <u><u>714,244</u></u>

See accompanying notes to schedule of expenditures of federal awards.

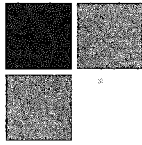
UNIFIED SCHOOL DISTRICT NO. 466 SCOTT CITY, KANSAS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Unified School District No. 466 Scott City, Kansas**, and is presented on the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Certified
Public
Accountants

December 13, 2012

To the Board of Education and Management
Unified School District No. 466 Scott City, Kansas
Scott City, Kansas

Management Letter

In planning and performing our audit of the primary government financial statements of **Unified School District No. 466 Scott City, Kansas** as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the District's internal control to be a material weaknesses.

- **Unified School District No. 466 Scott City, Kansas** does not have proper segregation of duties necessary to establish a good system of internal control. We understand that the size of the District's accounting and administrative staff and related budget constraints preclude management from hiring additional personnel to achieve proper segregation of duties. However, limited segregation can and should be implemented to reduce the risk of errors or fraud. Where possible, duties should be segregated. Involvement by the Board can also mitigate the risks of error or fraud. The Board should remain involved in the financial affairs of the District to provide oversight and independent review functions.
- There were several expenditures paid in July 2012 that were not properly included as encumbrances at June 30, 2012. These expenditures were mostly related to invoices received after year end that were for goods or services received in June. These expenditures should be estimated at year end, or if known, recorded prior to closing the books at the end of the year.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the District's internal control to be a significant deficiency.

Unified School District No. 466 Scott City, Kansas

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December 13, 2012

- Statement on Auditing Standard No. 115 (SAS No. 115) requires client personnel responsible for the accounting and reporting function to have the necessary skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or when preparing financial statements. Due to the limited size of the District, it is not practical to hire fully qualified staff to the extent that they possess all the skills in order to apply generally accepted accounting principles when preparing financial statements, including relevant note disclosures. It is important to note the accounting personnel of the District are not expected to have this kind of knowledge. In order to obtain the necessary knowledge, the personnel would have to obtain extensive and continuous training, which is not feasible.

We would like to express our appreciation for the opportunity to perform the June 30, 2012 audit for **Unified School District No. 466 Scott City, Kansas** and to the employees for the cooperation and assistance given to us during the audit.

This communication is intended solely for the information and the use of management, the Board of Education, others within the organization, State of Kansas, and applicable federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.



ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants