

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH	2
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET	3
STATEMENT OF CASH RECEIPTS AND EXPENDITURES – STATUTORY AND BUDGET:	
General Fund.....	4
Supplemental General Fund	5
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET:	
At-risk (4 Yr Old) Fund	6
At-risk (K-12) Fund.....	7
Bilingual Education Fund	8
Capital Outlay Fund	9
Driver Training Fund	10
Food Service Fund.....	11
Professional Development Fund	12
Special Education Fund	13
Vocational Education Fund	14
KPERS Special Retirement Contribution Fund	15
Bond and Interest Fund	16
STATEMENT OF CASH RECEIPTS AND EXPENDITURES:	
All Non-budgeted Funds	17
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH:	
District Activity Funds.....	19
SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS:	
Agency Funds.....	20
NOTES TO FINANCIAL STATEMENTS	21

Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308

JAMES W. KENNEDY, CPA
JAMES R. SHIRLEY, CPA
LU ANN WETMORE, CPA
ROBERT C. NEIDHART, CPA
PATRICK M. FRIESS, CPA
JOHN W. HENDRICKSON, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 467
Leoti, Kansas

We have audited the accompanying financial statements of Unified School District No. 467, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note A, Unified School District No. 467 has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 467, as of June 30, 2012, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of Unified School District No. 467, as of June 30, 2012, and their respective cash receipts and expenditures and budgetary results for the year then ended, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

November 30, 2012

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH**

Year ended June 30, 2012

<u>Fund</u>	<u>Beginning unencumbered cash balance (deficit)</u>	<u>Prior year canceled encumbrances</u>	<u>Cash receipts</u>
Governmental funds:			
General funds:			
General	\$ -	\$ -	\$ 3,363,568
Supplemental general	64,363	-	1,116,852
Special revenue funds:			
At-risk (4 yr old)	50,000	-	74,483
At-risk (k-12)	344,000	-	334,089
Bilingual education	40,446	-	167,000
Capital outlay	983,955	-	383,391
Driver training	15,808	-	4,424
Food service	57,960	-	223,768
Professional development	30,078	-	10,000
Special education	300,595	-	323,192
Vocational education	-	-	61,899
KPERs special retirement contribution	-	-	312,667
Title II-A teacher quality	(7,786)	-	29,850
USDOE REAP	(1,249)	-	20,424
Contingency reserve	373,780	-	-
Finnup Foundation arts grant	-	-	3,200
Koehn trust grant	-	-	500
Textbook and student material revolving	78,682	-	17,026
Power-up nutrition grant	-	-	280
Healthy habits for life grant	-	-	1,000
Tasker/NFL HS football grant	-	-	10,000
Title IV safe and drug free	(295)	-	1,046
Kfit WCES PE grant	-	-	200
Title III	1	-	-
Title I	(8,767)	-	121,782
Migrant	-	-	50,320
Tom Williams memorial	201	-	-
WKCF aim higher	-	-	500
Steve Rapier benefit	680	-	-
Lucille Templer	77	-	200
Elementary lunch - Childs estate	44,008	-	196
District activity funds	48,407	-	68,578
Debt service funds:			
Bond and Interest	304,459	-	315,497
Capital projects fund:			
Bond construction	16,818	-	17
Proprietary fund:			
Internal service fund:			
Health insurance reserve	46,613	-	523,910
Total primary government - excluding agency funds	<u>\$ 2,782,834</u>	<u>\$ -</u>	<u>\$ 7,539,859</u>
Composition of cash:			
Cash on hand			
Demand deposits			
Certificates of deposit			
Total cash			
Agency funds			
Total primary government - excluding agency funds			

The accompanying notes are an integral part of the financial statements.

<u>Expenditures</u>	<u>Ending unencumbered cash balance (deficit)</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance (deficit)</u>
\$ 3,363,568	\$ -	\$ 72,665	\$ 72,665
1,059,000	122,215	26,863	149,078
74,483	50,000	-	50,000
437,262	240,827	33,874	274,701
166,741	40,705	5,924	46,629
454,269	913,077	154,627	1,067,704
6,172	14,060	2,108	16,168
239,541	42,187	2,775	44,962
14,063	26,015	1,548	27,563
325,682	298,105	-	298,105
61,899	-	1,275	1,275
312,667	-	-	-
22,827	(763)	476	(287)
19,175	-	-	-
40,208	333,572	-	333,572
3,200	-	-	-
500	-	-	-
28,650	67,058	1,092	68,150
280	-	-	-
-	1,000	-	1,000
9,950	50	-	50
751	-	-	-
-	200	-	200
1	-	-	-
111,821	1,194	2,884	4,078
50,320	-	1,014	1,014
-	201	-	201
-	500	-	500
259	421	-	421
145	132	-	132
771	43,433	-	43,433
72,742	44,243	-	44,243
318,070	301,886	-	301,886
-	16,835	-	16,835
541,886	28,637	106,218	134,855
<u>\$ 7,736,903</u>	<u>\$ 2,585,790</u>	<u>\$ 413,343</u>	<u>\$ 2,999,133</u>
			\$ 300
			2,468,820
			<u>550,879</u>
			3,019,999
			<u>(20,866)</u>
			<u>\$ 2,999,133</u>

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended June 30, 2012

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment to comply with legal maximum budget</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General funds:					
General	\$ 3,594,436	\$ (230,868)	\$ 3,363,568	\$ 3,363,568	\$ -
Supplemental general	1,059,000	-	1,059,000	1,059,000	-
Special revenue funds:					
At-risk (4 yr old)	80,700	-	80,700	74,483	6,217
At-risk (K-12)	500,000	-	500,000	437,262	62,738
Bilingual education	190,440	-	190,440	166,741	23,699
Capital outlay	645,760	-	645,760	454,269	191,491
Driver training	8,000	-	8,000	6,172	1,828
Food service	279,402	-	279,402	239,541	39,861
Professional development	25,330	-	25,330	14,063	11,267
Special education	392,795	-	392,795	325,682	67,113
Vocational education	76,000	-	76,000	61,899	14,101
KPERS special retirement contribution	323,986	-	323,986	312,667	11,319
Debt service funds:					
Bond and interest	<u>318,071</u>	<u>-</u>	<u>318,071</u>	<u>318,070</u>	<u>1</u>
 Total primary government	 <u>\$ 7,493,920</u>	 <u>\$ (230,868)</u>	 <u>\$ 7,263,052</u>	 <u>\$ 6,833,417</u>	 <u>\$ 429,635</u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - STATUTORY AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Statutory amounts	Budget	favorable (unfavorable)
Cash receipts:				
Taxes:				
Tax in process	\$ 4,206	\$ 4,285	\$ 3,076	\$ 1,209
Current tax	494,264	536,602	473,330	63,272
Delinquent tax	1,436	9,041	2,513	6,528
Federal sources:				
ARRA stabilization funds	63,817	-	-	-
Education jobs funds	111,744	1,674	-	1,674
State sources:				
State aid	2,535,592	2,537,987	2,684,960	(146,973)
Special education aid	228,657	245,324	261,295	(15,971)
Mineral production tax	3,978	5,851	-	5,851
Transfer from other funds	-	22,804	169,000	(146,196)
Total cash receipts	<u>3,443,694</u>	<u>3,363,568</u>	<u>\$ 3,594,174</u>	<u>\$ (230,606)</u>
Expenditures:				
Instruction	1,394,635	1,495,071	\$ 1,436,056	\$ (59,015)
Support services:				
Student support services	95,535	104,529	100,620	(3,909)
Instructional support staff	62,074	60,950	66,940	5,990
General administration	258,434	244,048	276,720	32,672
School administration	5,480	5,147	1,500	(3,647)
Operations and maintenance	468,174	459,735	525,040	65,305
Operations and maintenance - transportation	4,077	3,887	-	(3,887)
Student transportation services:				
Supervision	8,318	13,327	19,038	5,711
Vehicle operating services	157,949	175,632	302,000	126,368
Vehicle and maintenance services	82,420	82,529	87,542	5,013
Other student transportation services	1,364	1,767	2,000	233
Operating transfers	905,234	716,946	776,980	60,034
Adjustment to comply with legal maximum budget	-	-	(230,868)	(230,868)
Total expenditures	<u>3,443,694</u>	<u>3,363,568</u>	<u>\$ 3,363,568</u>	<u>\$ -</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

SUPPLEMENTAL GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - STATUTORY AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2011	Statutory amounts	Budget	
Cash receipts:				
Taxes:				
Tax in process	\$ 6,259	\$ 6,632	\$ 6,426	\$ 206
Current tax	574,385	672,067	615,369	56,698
Delinquent tax	2,374	11,891	2,935	8,956
Motor vehicle tax	74,700	77,951	52,215	25,736
Recreational vehicle tax	595	551	377	174
Federal aid:				
State aid	296,714	347,760	335,239	12,521
Total cash receipts	<u>955,027</u>	<u>1,116,852</u>	<u>\$ 1,012,561</u>	<u>\$ 104,291</u>
Expenditures:				
Instruction	76,334	92,112	\$ 101,280	\$ 9,168
Support services:				
Student support services	(827)	657	2,000	1,343
Instructional support staff	46,542	61,451	66,120	4,669
General administration	2,151	1,449	-	(1,449)
School administration	265,664	283,303	290,600	7,297
Operations and maintenance	211,352	209,425	370,000	160,575
Other supplemental services	9,660	6,025	15,000	8,975
Operating transfers	339,124	404,578	214,000	(190,578)
Total expenditures	<u>950,000</u>	<u>1,059,000</u>	<u>\$ 1,059,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	5,027	57,852		
Unencumbered cash, beginning of year	<u>59,336</u>	<u>64,363</u>		
Unencumbered cash, end of year	<u>\$ 64,363</u>	<u>\$ 122,215</u>		

The accompanying notes are an integral part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS

AT-RISK (4 YR OLD) FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Local sources	\$ 30	\$ 3,227	\$ -	\$ 3,227
Transfer from general fund	63,514	71,256	56,700	14,556
Total cash receipts	63,544	74,483	<u>\$ 56,700</u>	<u>\$ 17,783</u>
Expenditures:				
Instruction	48,544	74,483	<u>\$ 80,700</u>	<u>\$ 6,217</u>
Receipts over (under) expenditures	15,000	-		
Unencumbered cash, beginning of year	35,000	50,000		
Unencumbered cash, end of year	<u>\$ 50,000</u>	<u>\$ 50,000</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

AT-RISK (K-12) FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Local sources	\$ 92,256	\$ 90,476	\$ -	\$ 90,476
Transfer from general fund	337,717	-	257,201	(257,201)
Transfer from supplemental general fund	110,000	243,613	30,000	213,613
Total cash receipts	539,973	334,089	\$ 287,201	\$ 46,888
Expenditures:				
Instruction	439,973	437,217	\$ 500,000	\$ 62,783
Support services:				
Instructional support staff	-	45	-	(45)
Total expenditures	-	437,262	\$ 500,000	\$ 62,738
Receipts over (under) expenditures	100,000	(103,173)		
Unencumbered cash, beginning of year	244,000	344,000		
Unencumbered cash, end of year	\$ 344,000	\$ 240,827		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

BILINGUAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfer from general fund	\$ 97,172	\$ 67,935	\$ 101,784	\$ (33,849)
Transfer from supplemental general fund	91,851	99,065	50,000	49,065
Total cash receipts	189,023	167,000	<u>\$ 151,784</u>	<u>\$ 15,216</u>
Expenditures:				
Instruction	160,513	166,281	\$ 190,440	\$ 24,159
Instructional support staff	-	460	-	(460)
Total expenditures	160,513	166,741	<u>\$ 190,440</u>	<u>\$ 23,699</u>
Receipts over (under) expenditures	28,510	259		
Unencumbered cash, beginning of year	11,936	40,446		
Unencumbered cash, end of year	<u>\$ 40,446</u>	<u>\$ 40,705</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

CAPITAL OUTLAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Tax in process	\$ 1,133	\$ 1,225	\$ 1,186	\$ 39
Current tax	106,091	111,122	101,749	9,373
Delinquent tax	431	2,175	542	1,633
Motor vehicle tax	13,379	14,208	9,515	4,693
Recreational vehicle tax	107	101	69	32
Interest	15,323	4,830	30,000	(25,170)
Charges for services	220	80	-	80
Insurance proceeds	11,543	-	-	-
Other	55,338	22,219	20,000	2,219
Transfer from general fund	112,354	227,431	-	227,431
Transfer from bond construction	25,595	-	-	-
Total cash receipts	<u>341,514</u>	<u>383,391</u>	<u>\$ 163,061</u>	<u>\$ 220,330</u>
Expenditures:				
Instruction	53,655	78,702	\$ 55,000	\$ (23,702)
Support services:				
General administration	-	-	25,000	25,000
Operations and maintenance	-	-	20,760	20,760
Transportation	-	82,680	100,000	17,320
Facility acquisition and construction:				
Architectural and engineering	7,018	-	-	-
New building acquisition and construction	-	141,700	-	(141,700)
Site improvement	467,068	99,848	200,000	100,152
Repairs and remodeling	470,418	51,339	-	(51,339)
Building improvements	-	-	245,000	245,000
Total expenditures	<u>998,159</u>	<u>454,269</u>	<u>\$ 645,760</u>	<u>\$ 191,491</u>
Receipts over (under) expenditures	(656,645)	(70,878)		
Unencumbered cash, beginning of year	<u>1,640,600</u>	<u>983,955</u>		
Unencumbered cash, end of year	<u>\$ 983,955</u>	<u>\$ 913,077</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

DRIVER TRAINING FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ 1,184	\$ 1,974	\$ 1,554	\$ 420
Other	2,150	2,450	-	2,450
Total cash receipts	3,334	4,424	\$ 1,554	\$ 2,870
Expenditures:				
Instruction	5,562	5,784	\$ 6,500	\$ 716
Vehicle operations, maintenance	563	388	1,500	1,112
Total expenditures	6,125	6,172	\$ 8,000	\$ 1,828
Receipts over (under) expenditures	(2,791)	(1,748)		
Unencumbered cash, beginning of year	18,599	15,808		
Unencumbered cash, end of year	\$ 15,808	\$ 14,060		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS

FOOD SERVICE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2011	Actual	Budget	
Cash receipts:				
Federal aid	\$ 123,106	\$ 128,837	\$ 135,308	\$ (6,471)
State aid	2,568	2,523	2,345	178
Charges for services	73,866	72,408	83,790	(11,382)
Other	296	-	20,000	(20,000)
Transfer from general fund	32,369	20,000	-	20,000
Transfer from supplemental general fund	7,000	-	-	-
Total cash receipts	<u>239,205</u>	<u>223,768</u>	<u>\$ 241,443</u>	<u>\$ (17,675)</u>
Expenditures:				
Operations and maintenance	3,077	5,416	\$ 9,000	\$ 3,584
Food service operations	<u>228,158</u>	<u>234,125</u>	<u>270,402</u>	<u>36,277</u>
Total expenditures	<u>231,235</u>	<u>239,541</u>	<u>\$ 279,402</u>	<u>\$ 39,861</u>
Receipts over (under) expenditures	7,970	(15,773)		
Unencumbered cash, beginning of year	<u>49,990</u>	<u>57,960</u>		
Unencumbered cash, end of year	<u>\$ 57,960</u>	<u>\$ 42,187</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

PROFESSIONAL DEVELOPMENT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Other	\$ 200	\$ -	\$ -	\$ -
Transfer from general fund	-	10,000	-	10,000
Transfer from supplemental general fund	15,422	-	-	-
Total cash receipts	15,622	10,000	\$ -	\$ 10,000
Expenditures:				
Instruction	109	4,003	\$ -	\$ (4,003)
Support services:				
Instructional support staff	1,605	10,060	25,330	15,270
Total expenditures	1,714	14,063	\$ 25,330	\$ 11,267
Receipts over (under) expenditures	13,908	(4,063)		
Unencumbered cash, beginning of year	16,170	30,078		
Unencumbered cash, end of year	\$ 30,078	\$ 26,015		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

SPECIAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2011	Actual	Budget	
Cash receipts:				
Other	\$ 5,032	\$ 2,868	\$ 5,000	\$ (2,132)
Transfer from general fund	242,657	320,324	261,295	59,029
Transfer from supplemental general fund	65,000	-	-	-
Total cash receipts	<u>312,689</u>	<u>323,192</u>	<u>\$ 266,295</u>	<u>\$ 56,897</u>
Expenditures:				
Instruction	310,836	325,418	\$ 392,795	\$ 67,377
Student transportation services:				
Vehicle operating services	-	264	-	(264)
Total expenditures	<u>310,836</u>	<u>325,682</u>	<u>\$ 392,795</u>	<u>\$ 67,113</u>
Receipts over (under) expenditures	1,853	(2,490)		
Unencumbered cash, beginning of year	<u>298,742</u>	<u>300,595</u>		
Unencumbered cash, end of year	<u>\$ 300,595</u>	<u>\$ 298,105</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

VOCATIONAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Other	\$ 233	\$ -	\$ 1,000	\$ (1,000)
Transfer from general fund	19,451	-	-	-
Transfer from supplemental general fund	49,851	61,899	75,000	(13,101)
Total cash receipts	69,535	61,899	\$ 76,000	\$ (14,101)
Expenditures:				
Instruction	63,722	61,899	\$ 68,840	\$ 6,941
Support services:				
Instruction support staff	-	-	160	160
Operations and maintenance	5,813	-	7,000	7,000
Total expenditures	69,535	61,899	\$ 76,000	\$ 14,101
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ 175,128	\$ 312,667	\$ 323,986	\$ (11,319)
Expenditures:				
Instruction	110,349	199,615	\$ 203,502	\$ 3,887
Student support services	5,467	8,659	15,484	6,825
Instructional support staff	4,164	8,198	20,000	11,802
General administration	13,604	22,101	20,000	(2,101)
School administration	14,631	24,458	20,000	(4,458)
Operations and maintenance	17,743	29,355	25,000	(4,355)
Student transportation services	6,278	12,897	10,000	(2,897)
Food service operations	2,892	7,384	10,000	2,616
Total expenditures	175,128	312,667	\$ 323,986	\$ 11,319
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Tax in process	\$ 3,550	\$ 3,041	\$ 2,948	\$ 93
Current tax	263,383	204,553	187,142	17,411
Delinquent tax	337	5,968	1,346	4,622
Motor vehicle tax	14,197	41,213	27,654	13,559
Recreational vehicle tax	141	289	199	90
State aid	47,047	60,433	60,433	-
Total cash receipts	<u>328,655</u>	<u>315,497</u>	<u>\$ 279,722</u>	<u>\$ 35,775</u>
Expenditures:				
Debt service:				
Interest	176,745	173,070	\$ 173,071	\$ 1
Principal	<u>100,000</u>	<u>145,000</u>	<u>145,000</u>	<u>-</u>
Total expenditures	<u>276,745</u>	<u>318,070</u>	<u>\$ 318,071</u>	<u>\$ 1</u>
Receipts over (under) expenditures	51,910	(2,573)		
Unencumbered cash, beginning of year	<u>252,549</u>	<u>304,459</u>		
Unencumbered cash, end of year	<u>\$ 304,459</u>	<u>\$ 301,886</u>		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
ALL NON-BUDGETED FUNDS

Year ended June 30, 2012

	Special revenue			
	Title II-A teacher quality	USDOE REAP	Contingency reserve	Finnup Foundation arts grant
Cash receipts:				
Federal aid	\$ 29,850	\$ 20,424	\$ -	\$ -
State aid	-	-	-	-
Interest	-	-	-	-
User charges	-	-	-	-
Other grants and donations	-	-	-	3,200
Other revenue	-	-	-	-
Total cash receipts	<u>29,850</u>	<u>20,424</u>	<u>-</u>	<u>3,200</u>
Expenditures:				
Instruction	22,827	19,175	-	3,200
Contractual services	-	-	-	-
Other expense	-	-	17,404	-
Transfer to general	-	-	22,804	-
Total expenditures	<u>22,827</u>	<u>19,175</u>	<u>40,208</u>	<u>3,200</u>
Receipts over (under) expenditures	7,023	1,249	(40,208)	-
Unencumbered cash (deficit), beginning of year	<u>(7,786)</u>	<u>(1,249)</u>	<u>373,780</u>	<u>-</u>
Unencumbered cash (deficit), end of year	<u>\$ (763)</u>	<u>\$ -</u>	<u>\$ 333,572</u>	<u>\$ -</u>

The accompanying notes are an integral
part of the financial statements.

Special revenue						
Koehn trust grant	Textbook and student material revolving	Power-up nutrition grant	Healthy habits for life grant	Tasker/NFL HS football grant	Title IV safe and drug free	Kfit WCES PE grant
\$ 500	\$ -	\$ -	\$ -	\$ -	\$ 1,046	\$ -
-	-	-	-	-	-	200
-	-	-	-	-	-	-
-	17,026	-	-	-	-	-
-	-	280	1,000	10,000	-	-
-	-	-	-	-	-	-
<u>500</u>	<u>17,026</u>	<u>280</u>	<u>1,000</u>	<u>10,000</u>	<u>1,046</u>	<u>200</u>
-	28,650	-	-	-	751	-
-	-	-	-	-	-	-
500	-	280	-	9,950	-	-
-	-	-	-	-	-	-
<u>500</u>	<u>28,650</u>	<u>280</u>	<u>-</u>	<u>9,950</u>	<u>751</u>	<u>-</u>
-	(11,624)	-	1,000	50	295	200
-	78,682	-	-	-	(295)	-
<u>\$ -</u>	<u>\$ 67,058</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 200</u>

UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
ALL NON-BUDGETED FUNDS (CONTINUED)

Year ended June 30, 2012

	Special revenue			
	Title III	Title I	Migrant	Tom Williams memorial
Cash receipts:				
Federal aid	\$ -	\$ 121,782	\$ 50,320	\$ -
State aid	-	-	-	-
Interest	-	-	-	-
User charges	-	-	-	-
Other grants and donations	-	-	-	-
Other revenue	-	-	-	-
Total cash receipts	-	121,782	50,320	-
Expenditures:				
Instruction	1	111,821	50,320	-
Contractual services	-	-	-	-
Other expense	-	-	-	-
Transfer to general	-	-	-	-
Total expenditures	1	111,821	50,320	-
Receipts over (under) expenditures	(1)	9,961	-	-
Unencumbered cash (deficit), beginning of year	1	(8,767)	-	201
Unencumbered cash (deficit), end of year	\$ -	\$ 1,194	\$ -	\$ 201

The accompanying notes are an integral
part of the financial statements.

Special revenue				Capital Projects	Internal service	
WKCF aim higher	Steve Rapier benefit	Lucille Templer	Elementary lunch - Childs estate	Bond construction	Health insurance reserve	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,422
-	-	-	-	-	-	200
-	-	-	196	17	40	253
-	-	-	-	-	523,870	540,896
500	-	-	-	-	-	14,980
-	-	200	-	-	-	200
<u>500</u>	<u>-</u>	<u>200</u>	<u>196</u>	<u>17</u>	<u>523,910</u>	<u>780,951</u>
-	-	-	-	-	-	236,745
-	-	-	-	-	541,886	541,886
-	259	145	771	-	-	29,309
-	-	-	-	-	-	22,804
<u>-</u>	<u>259</u>	<u>145</u>	<u>771</u>	<u>-</u>	<u>541,886</u>	<u>830,744</u>
500	(259)	55	(575)	17	(17,976)	(49,793)
-	680	77	44,008	16,818	46,613	542,763
<u>\$ 500</u>	<u>\$ 421</u>	<u>\$ 132</u>	<u>\$ 43,433</u>	<u>\$ 16,835</u>	<u>\$ 28,637</u>	<u>\$ 492,970</u>

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

DISTRICT ACTIVITY FUNDS

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH**

Year ended June 30, 2012

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Cash receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance</u>
Gate receipts:						
Junior - Sr High School:						
Athletics general	\$ 3,094	\$ 26,545	\$ 24,576	\$ 5,063	\$ -	\$ 5,063
Musical	12,405	4,138	9,506	7,037	-	7,037
Subtotal gate receipts	15,499	30,683	34,082	12,100	-	12,100
School projects:						
Junior - Sr High School:						
Yearbook	628	10,274	10,270	632	-	632
Elementary yearbook	287	888	1,175	-	-	-
Faculty activity	228	2,226	1,766	688	-	688
Library	868	371	326	913	-	913
Concessions	2,491	19,799	18,660	3,630	-	3,630
Activity tickets	-	588	588	-	-	-
Contingency	10,000	-	-	10,000	-	10,000
Scholarship	14,197	54	1,550	12,701	-	12,701
Forensics	-	755	584	171	-	171
Scholar's bowl	39	520	263	296	-	296
Dance-a-thon	66	-	-	66	-	66
Wichita County Elementary:						
Library	992	206	206	992	-	992
Yearbook	-	1,543	998	545	-	545
A/R bookstore	173	-	105	68	-	68
RIF	580	-	-	580	-	580
Box tops	1,914	465	2,019	360	-	360
Education donations	445	206	150	501	-	501
Subtotal school projects	32,908	37,895	38,660	32,143	-	32,143
Total district activity funds	\$ 48,407	\$ 68,578	\$ 72,742	\$ 44,243	\$ -	\$ 44,243

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

AGENCY FUNDS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2012

<u>Fund</u>	<u>Beginning cash balance</u>	<u>Cash receipts</u>	<u>Cash disbursements</u>	<u>Ending cash balance</u>
Student organization funds:				
Junior - Sr High School:				
Class of 2012	\$ 384	\$ 377	\$ 454	\$ 307
Class of 2013	934	7,434	7,849	519
Class of 2014	163	314	67	410
Class of 2015	-	390	190	200
Class of 2016	1,563	870	1,620	813
Class of 2017	1,368	-	1,368	-
Class of 2018	75	11	86	-
Band	1,563	1,448	2,521	490
Cheerleaders junior high	2,533	1,405	3,773	165
Cheerleaders high school	-	2,313	1,554	759
Future Farmers of America	7,487	14,119	15,406	6,200
Kays	1,661	13,715	11,212	4,164
Student council	3,106	7,686	7,080	3,712
JH student council	1,005	1,235	519	1,721
Bio II trip	-	1,014	619	395
Boys BB	-	418	-	418
Girls BB	-	2,074	2,074	-
National Honor Society	617	1,153	1,248	522
Total student organization funds	<u>22,459</u>	<u>55,976</u>	<u>57,640</u>	<u>20,795</u>
Clearing funds:				
Junior - Sr High School sales tax	199	6,408	6,608	-
Wichita County Elementary sales tax	<u>18</u>	<u>227</u>	<u>174</u>	<u>71</u>
Total clearing funds	<u>217</u>	<u>6,635</u>	<u>6,782</u>	<u>71</u>
Total agency funds	<u>\$ 22,676</u>	<u>\$ 62,611</u>	<u>\$ 64,422</u>	<u>\$ 20,866</u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 467
LEOTI, KANSAS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist the reader in understanding the District's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are the representation of the District's management, which is responsible for their integrity and objectivity. The amounts shown for 2011 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2012, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting described below.

1. Reporting entity

Unified School District No. 467 is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 467, the primary government, which has no component units.

2. Fund accounting

The accounts of the District are organized on the basis of funds. In governmental accounting a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. District resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds comprise the financial activities of the District for the year ended June 30, 2012.

GOVERNMENTAL FUNDS

General Funds

General funds are used to account for all financial transactions not properly accounted for in another fund. They receive a greater variety and number of taxes and other general revenue than any other fund and finance a wider range of activities than any other fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources which must be devoted to some special use as required by law or specific regulations.

Debt Service Fund

The debt service fund is used to account for the financing of long-term debt that is not otherwise financed from other revenue.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting (continued)

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition and construction of major capital facilities.

PROPRIETARY FUND

Internal Service Fund

This fund is established to account for the financing of goods or services provided by one department to other departments of the District on a cost-reimbursement basis. The internal service fund is used to finance the medical self-insurance operations of the District.

FIDUCIARY FUNDS

Agency Funds

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations and other governmental units.

3. Basis of accounting

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

K.S.A. 72-6417 and K.S.A. 79-6434 require that districts receiving state aid in July for the previous fiscal year ended in June record and account for these funds as receipts for the previous fiscal year ending on the preceding June 30.

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

A.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of accounting (continued)

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. A statement of net assets 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 is not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

4. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for general funds, 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 year on or before August 1st.
- b. Publication in a 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 ten 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 ten days after publication the hearing may be held and the governing body may amend the budget at that time. For the year ended June 30, 2012, there were no budget amendments.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary information (continued)

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

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

- Contingency Reserve
- Finnup Foundation Arts Grant
- Koehn Trust Grant
- Textbook and Student Material Revolving
- Power-up nutrition grant
- Healthy habits for life grant
- Tasker/NFL HS football grant
- Special Revenue Federal Grant Funds
- Tom Williams Memorial
- WKCF Aim Higher Grant
- Steve Rapier Benefit
- Lucille Templer
- Elementary Lunch – Childs Estate
- Bond construction
- Health Insurance Reserve
- 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.

5. Cash and investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in interest-bearing deposits and disclosed as part of the District's cash balances. Unless specifically designated, all investment income is credited to funds designated by K.S.A. 72-6427.

6. Ad valorem tax revenue

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied by November 1 and a lien for all taxes attaches on that same date until taxes are paid. One-half of the property taxes is due December 20 and distributed to the District by January 20, and the second half is due May 10 and distributed to the District by June 5. The District Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERs) which is a cost-sharing multiple-employer state-wide pension plan. The State of Kansas pays the District's share of all pension costs accrued; such costs to be funded are determined annually.

8. Section 125 Flexible Benefit Plan

The District offers a Section 125 Flexible Benefit Plan to employees electing to participate. It is to be used for health insurance premiums, other medical costs, and child care costs.

9. Compensated absences

The District's policy is to recognize the costs of compensated absences when actually paid. District policies address vacation for employees on twelve month contracts, and sick leave for all employees. Employees on twelve month contracts receive two weeks of vacation per year. All full time employees receive nine days of sick leave annually. Vacation may not be accumulated and sick leave may be accumulated up to 90 days. Employees are paid a reduced rate for unused sick leave in excess of 90 days annually. Upon retirement, termination, or resignation, the District does not pay for any accumulated sick leave.

10. Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts and the disclosures at the date of the financial statements. Actual results could differ from those estimates.

B. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports, the State Department of Education and legal representatives of the District.

The cash basis law provided by K.S.A. 10-1113 prohibits the creation of indebtedness in any fund in excess of available monies in that fund. Although, as indicated in the financial statements, Title II A, has a cash deficit of \$763, according to K.S.A. 12-1664, the District is not prohibited from financing the federal or state share of a local program from current funds if available.

C. DEPOSITS AND INVESTMENTS

Policies. The District has no formal deposit and investment policies; however it does follow state statutes. 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 to 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 to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the District's deposits in financial institutions to be entirely covered by federal depository insurance, by a corporate surety bond, 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.

C. DEPOSITS AND INVESTMENTS (CONTINUED)

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. At year-end the carrying amount of the District's deposits, including certificates of deposit, was \$3,019,699. The bank balance was \$2,942,000. Of the bank balance, \$250,000 was covered by FDIC insurance and \$2,692,000 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name.

D. LONG-TERM DEBT

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

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ net change</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
School building bonds - Series 2009					
Issued September 1, 2009					
In the amount of \$4,500,000					
At interest rates of 3% - 5%					
Maturing October 1, 2029	\$4,400,000	\$ -	\$ 145,000	\$4,255,000	\$ 173,070

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2013	\$ 150,000	\$ 168,645	\$ 318,645
2014	160,000	163,995	323,995
2015	165,000	159,120	324,120
2016	175,000	154,020	329,020
2017	185,000	148,620	333,620
2018-2022	1,070,000	610,910	1,680,910
2023-2027	1,360,000	355,087	1,715,087
2028-2030	990,000	64,740	1,054,740
Total	<u>\$ 4,255,000</u>	<u>\$ 1,825,137</u>	<u>\$ 6,080,137</u>

E. MEDICAL SELF-INSURANCE

On October 1, 2004, the District established an internal service fund to account for its medical self-insurance program. The program is handled by an outside administrator who determines claims to be paid. A stop loss insurance policy is purchased by the District to cover claims above \$25,000 per employee. Liability for unpaid claims is estimated based upon claims paid after year-end. Changes in the claims liability amount in the past two years have been as follows:

E. MEDICAL SELF-INSURANCE (CONTINUED)

	<u>Beginning of year liability</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of year liability</u>
2011	\$ 118,350	\$ 324,889	\$ 373,329	\$ 69,910
2012	69,910	410,142	373,834	106,218

F. DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603-3869), at the following website: <http://da.state.ks.us/ar/muniserv/AuditorInfo.htm> or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and 74-49,210 establishes the KPERS member-employee contribution rate at 4% and 6% respectively 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 contributed 9.77% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2012, 2011, and 2010 were \$298,635,383, \$253,834,044 and, \$248,468,186, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2012, 2011, and 2010 were \$312,667, \$175,128, and \$200,924, respectively.

G. INTERFUND TRANSFERS

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenue are operating transfers. These transfers, authorized by K.S.A. 72-6428 and K.S.A. 72-6433, are as follows:

<u>From</u>	<u>Amount</u>	<u>To</u>
General fund	\$ 71,256	At-risk (4 yr old) fund
General fund	67,935	Bilingual education fund
General fund	20,000	Food service fund
General fund	10,000	Professional development fund
General fund	320,324	Special education fund
General fund	227,431	Capital outlay fund
Supplemental general fund	99,065	Bilingual education fund
Supplemental general fund	243,613	At-risk (K-12) fund
Supplemental general fund	61,899	Vocational education fund
Contingency Reserve fund	<u>22,804</u>	General fund
	<u>\$ 1,144,327</u>	

H. CONTINGENCIES

The District receives significant financial assistance from numerous Federal and State governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District at June 30, 2012.

I. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and medical needs of employees. The District participates in the Kansas Association of School Boards Risk Management Services which is a public entity risk pool currently operating as a common risk management and insurance program for member school districts.

The District pays an annual premium to the Kansas Association of School Boards Risk Management Services for its workers compensation insurance coverage. The agreement to participate provides that the plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. Additional premiums may be due if total claims for the pool are different from what has been anticipated by the Kansas Association of School Boards Risk Management Services management.

The District carries commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

J. OTHER POST EMPLOYMENT BENEFITS

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2012, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.