

**UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2012

**CLUBINE AND RETTELE, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
SALINA, KANSAS**

Unified School District No. 487
Herington, Kansas

Financial Statements and Independent Auditors' Report
For the Fiscal Year Ended June 30, 2012

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Unified School District No. 487
Herington, Kansas

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Unified School District No. 487
Herington, Kansas

We have audited the accompanying financial statements of Unified School District No. 487, as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Unified School District No. 487's management. Our responsibility is to express opinions on these financial statements based on our audit. The partial prior-year comparative information has been derived from Unified School District No. 487's financial statements and, in our report dated March 27, 2012, we expressed an unqualified opinion on the respective financial statements which were prepared using accounting practices prescribed or permitted by the State of Kansas.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Kansas Municipal Audit Guide*, prescribed by the Director of Accounts and Reports, Department of Administration of the State of Kansas. 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 the 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.

As described more fully in Note 2, Unified School District No. 487 prepares its 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, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 487, as of June 30, 2012, the changes in its financial position, or, where applicable, its cash flows for the fiscal year then ended. Further, Unified School District No. 487 has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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. 487 as of June 30, 2012, and their respective cash receipts and disbursements, and the respective budgetary comparison for the General Funds and budgeted Special Revenue Funds for the fiscal year then ended, on the basis of accounting described in Note 2.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Unified School District No. 487's financial statements for the year ended June 30, 2011, from which such partial information was derived.

Clubine and Rettele, Chartered

Salina, Kansas
December 27, 2012

UNIFIED SCHOOL DISTRICT NO. 487

Statement 1

Herington, Kansas

Summary of Cash Receipts, Expenditures and Unencumbered Cash (Statutory Basis)

For the Fiscal Year Ended June 30, 2012

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:						
General Funds						
* General	\$ (359,337.00)	\$ 3,927,913.81	\$ 3,871,055.81	\$ (302,479.00)	\$ 17,126.16	\$ (285,352.84)
* Supplemental General	(4,139.88)	1,085,961.71	1,065,000.00	16,821.83	5,272.32	22,094.15
Special Revenue Funds						
At-Risk (4 Year Old)	25,389.21	49,570.00	51,832.10	23,127.11	-	23,127.11
At-Risk	70,900.04	613,314.11	617,719.48	66,494.67	3,072.72	69,567.39
Capital Outlay	460,746.73	171,951.19	207,511.62	425,186.30	-	425,186.30
Driver Training	3,149.42	7,392.00	5,547.43	4,993.99	-	4,993.99
Food Service	85,081.81	310,825.83	306,546.17	89,361.47	-	89,361.47
Professional Development	8,340.37	10,000.00	7,855.82	10,484.55	-	10,484.55
Parent Education	12,946.03	61,716.04	63,715.85	10,946.22	7,904.86	18,851.08
Special Education	328,522.45	618,554.47	618,312.00	328,764.92	-	328,764.92
Vocational Education	36,462.80	127,714.00	126,937.06	37,239.74	-	37,239.74
KPERS Special Revenue Contribution	-	315,580.05	315,580.05	-	-	-
Contingency Reserve	270,375.92	43,198.86	-	313,574.78	-	313,574.78
Textbook Rental	12,408.10	5,652.50	-	18,060.60	-	18,060.60
Recreation	16,872.95	64,411.80	70,000.00	11,284.75	-	11,284.75
Title I	13,959.25	109,573.00	110,200.72	13,331.53	170.98	13,502.51
Title I Recovery Act	-	-	-	-	-	-
Title II-A	-	19,123.00	19,123.00	-	-	-
Title II-D	-	-	-	-	-	-
Title II-D Recovery Act	-	-	-	-	-	-
Title V	-	-	-	-	-	-
Reap - Rural Education Grant	-	30,387.00	30,387.00	-	-	-
District Activity Funds	21,030.03	109,753.03	106,796.04	23,987.02	-	23,987.02
Debt Service Funds:						
Bond and Interest	200,104.38	996,128.07	1,055,688.50	140,543.95	-	140,543.95
Capital Project Funds:						
Project Bond Issue	2,938,761.70	-	2,822,263.85	116,497.85	63,757.20	180,255.05
Fiduciary Type Funds:						
Gifts and Grants	34,263.12	39,589.20	30,283.71	43,568.61	15,793.08	59,361.69
	<u>4,175,837.43</u>	<u>8,718,309.67</u>	<u>11,502,356.21</u>	<u>1,391,790.89</u>	<u>113,097.32</u>	<u>1,504,888.21</u>
Component Units:						
Herington Recreation Commission	24,305.71	86,139.15	82,438.57	28,006.29	-	28,006.29
Tri-County Arts Association	5,156.74	-	128.00	5,028.74	-	5,028.74
	<u>29,462.45</u>	<u>86,139.15</u>	<u>82,566.57</u>	<u>33,035.03</u>	<u>-</u>	<u>33,035.03</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 4,205,299.88</u>	<u>\$ 8,804,448.82</u>	<u>\$ 11,584,922.78</u>	<u>\$ 1,424,825.92</u>	<u>\$ 113,097.32</u>	<u>\$ 1,537,923.24</u>
Composition of Cash:						
				Checking Accounts		\$ 796,505.85
				Certificates of Deposit		728,913.74
				Total Component Unit		<u>33,035.03</u>
				Total Cash		1,558,454.62
				Agency Funds per Statement 4		<u>(20,531.38)</u>
				Total Reporting Entity (Excluding Agency Funds)		<u>\$ 1,537,923.24</u>

* General Funds presented per Kansas
Municipal Audit Guide. For Statutory
Basis of these funds see Note #11.

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

UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas
Summary of Expenditures - Actual and Budget (Statutory Basis)
For the Fiscal Year Ended June 30, 2012

Statement 2

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment to Comply with Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
Governmental Type Funds:						
General Funds						
General	\$ 4,062,366.00	\$ (197,694.00)	\$ 6,383.81	\$ 3,871,055.81	\$ 3,871,055.81	\$ -
Supplemental General	1,065,000.00	-	-	1,065,000.00	1,065,000.00	-
Special Revenue Funds						
At - Risk (4 Year Old)	67,700.00	-	-	67,700.00	51,832.10	(15,867.90)
At - Risk	629,975.00	-	-	629,975.00	617,719.48	(12,255.52)
Capital Outlay	465,695.00	-	-	465,695.00	207,511.62	(258,183.38)
Driver Training	6,784.00	-	-	6,784.00	5,547.43	(1,236.57)
Food Service	352,045.00	-	-	352,045.00	306,546.17	(45,498.83)
Professional Development	9,100.00	-	-	9,100.00	7,855.82	(1,244.18)
Parent Education	71,737.00	-	-	71,737.00	63,715.85	(8,021.15)
Special Education	702,399.00	-	-	702,399.00	618,312.00	(84,087.00)
Vocational Education	131,790.00	-	-	131,790.00	126,937.06	(4,852.94)
KPERs Special Revenue Contribution	350,899.00	-	-	350,899.00	315,580.05	(35,318.95)
Recreation	-	-	-	-	70,000.00	70,000.00
Bond and Interest	1,055,690.00	-	-	1,055,690.00	1,055,688.50	(1.50)
Component Unit:						
Herington Recreation Commission	110,121.00	-	-	110,121.00	82,522.57	(27,598.43)

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2012

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 311,988.29	\$ 320,991.84	\$ 307,638.00	\$ 13,353.84
Delinquent	9,057.58	11,880.87	6,438.00	5,442.87
Mineral Tax	201.33	228.29	-	228.29
Reimbursements	3,386.06	6,383.81	-	6,383.81
State Equalization Aid	2,907,420.00	3,148,186.00	3,223,104.00	(74,918.00)
State Aid - Special Education	415,057.00	438,448.00	525,186.00	(86,738.00)
ARRA Stabilization Funds	192,067.00	1,795.00	-	1,795.00
Total Cash Receipts	<u>3,839,177.26</u>	<u>3,927,913.81</u>	<u>\$ 4,062,366.00</u>	<u>\$ (134,452.19)</u>
Expenditures				
Instruction	1,194,088.57	913,434.33	\$ 1,227,874.00	\$ (314,439.67)
Student Support Services	38,105.21	69,854.79	63,822.00	6,032.79
Instructional Support Staff	188,818.94	204,128.15	188,877.00	15,251.15
General Administration	208,013.74	216,217.52	215,231.00	986.52
School Administration	278,541.64	330,439.74	282,387.00	48,052.74
Operations and Maintenance	462,019.84	550,666.98	516,670.00	33,996.98
Transportation	136,452.87	122,069.33	140,511.00	(18,441.67)
Operating Transfers	1,358,361.45	1,464,244.97	1,426,994.00	37,250.97
Adjustment to Comply with Legal Max	-	-	(197,694.00)	197,694.00
Legal General Fund Budget	3,864,402.26	3,871,055.81	3,864,672.00	6,383.81
Adjustment for Qualifying Budget Credits	-	-	6,383.81	(6,383.81)
Total Expenditures	<u>3,864,402.26</u>	<u>3,871,055.81</u>	<u>\$ 3,871,055.81</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	(25,225.00)	56,858.00		
Unencumbered Cash, Beginning	<u>(334,112.00)</u>	<u>(359,337.00)</u>		
Unencumbered Cash, Ending	<u>\$ (359,337.00)</u>	<u>\$ (302,479.00)</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Supplemental General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2012

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 419,707.25	\$ 431,276.21	\$ 459,407.00	\$ (28,130.79)
Delinquent	14,390.28	16,756.45	8,692.00	8,064.45
Motor Vehicle	50,212.33	50,824.47	60,540.00	(9,715.53)
Recreational Vehicle	1,713.79	1,561.20	1,804.00	(242.80)
Excise Tax	51.67	34.38	-	34.38
State Aid	753,447.00	585,509.00	559,717.00	25,792.00
Total Cash Receipts	<u>1,239,522.32</u>	<u>1,085,961.71</u>	<u>\$ 1,090,160.00</u>	<u>\$ (4,198.29)</u>
Expenditures				
Instruction	766,190.30	743,072.00	\$ 792,465.00	\$ (49,393.00)
Student Support Services	25,997.07	45,910.86	48,578.00	(2,667.14)
Instructional Support Staff	63,254.93	68,073.90	70,812.00	(2,738.10)
Operations and Maintenance	4,550.68	3,104.12	10,000.00	(6,895.88)
Operating Transfers	<u>265,007.02</u>	<u>204,839.12</u>	<u>143,145.00</u>	<u>61,694.12</u>
Total Expenditures	<u>1,125,000.00</u>	<u>1,065,000.00</u>	<u>\$ 1,065,000.00</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	114,522.32	20,961.71		
Unencumbered Cash, Beginning	<u>(118,662.20)</u>	<u>(4,139.88)</u>		
Unencumbered Cash, Ending	<u>\$ (4,139.88)</u>	<u>\$ 16,821.83</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

At-Risk Fund (4 Year Old)

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal 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				
Operating Transfers	\$ 23,622.00	\$ 49,570.00	\$ 49,570.00	\$ -
Expenditures				
Instruction	41,165.50	36,779.51	\$ 44,756.00	\$ (7,976.49)
Student Support Services	-	-	1,000.00	(1,000.00)
Operations and Maintenance	9,152.81	1,126.42	10,620.00	(9,493.58)
Transportation	11,356.10	13,926.17	11,324.00	2,602.17
Total Expenditures	<u>61,674.41</u>	<u>51,832.10</u>	<u>\$ 67,700.00</u>	<u>\$ (15,867.90)</u>
Receipts Over (Under) Expenditures	(38,052.41)	(2,262.10)		
Unencumbered Cash, Beginning	<u>63,441.62</u>	<u>25,389.21</u>		
Unencumbered Cash, Ending	<u>\$ 25,389.21</u>	<u>\$ 23,127.11</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

At-Risk Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal 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				
Operating Transfers	\$ 499,795.45	\$ 613,314.11	\$ 623,050.00	\$ (9,735.89)
Expenditures				
Instruction	460,536.03	579,003.71	\$ 522,115.00	\$ 56,888.71
Student Support Services	22,740.60	4,631.61	24,202.00	(19,570.39)
Instructional Support Services	18,163.67	22,849.06	50,317.00	(27,467.94)
School Administration	29,141.56	9,591.60	31,691.00	(22,099.40)
Transportation	1,303.62	1,643.50	1,650.00	(6.50)
Total Expenditures	<u>531,885.48</u>	<u>617,719.48</u>	<u>\$ 629,975.00</u>	<u>\$ (12,255.52)</u>
Receipts Over (Under) Expenditures	(32,090.03)	(4,405.37)		
Unencumbered Cash, Beginning	<u>102,990.07</u>	<u>70,900.04</u>		
Unencumbered Cash, Ending	<u>\$ 70,900.04</u>	<u>\$ 66,494.67</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Capital Outlay Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal Year Ended June 30, 2012

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

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Cash Receipts				
Delinquent Tax	\$ 108.74	\$ 1.57	\$ -	\$ 1.57
Operating Transfers	300,000.00	127,000.00	52,000.00	75,000.00
Interest	23,041.57	14,583.68	-	14,583.68
Other	30,104.26	30,365.94	-	30,365.94
Total Cash Receipts	<u>\$ 353,254.57</u>	<u>\$ 171,951.19</u>	<u>\$ 52,000.00</u>	<u>\$ 119,951.19</u>
Expenditures				
Instruction	-	3,299.00	\$ 75,000.00	\$ (71,701.00)
Student Support Services	9,046.61	14,537.77	15,000.00	(462.23)
General Administration	3,390.28	5,252.50	7,500.00	(2,247.50)
Operations and Maintenance	46,874.15	16,070.89	75,000.00	(58,929.11)
Transportation	21,202.00	62,226.01	135,695.00	(73,468.99)
Building Improvements	178,450.72	104,692.20	155,000.00	(50,307.80)
Sewer Tax	1,533.69	1,433.25	2,500.00	(1,066.75)
Total Expenditures	<u>260,497.45</u>	<u>207,511.62</u>	<u>\$ 465,695.00</u>	<u>\$ (258,183.38)</u>
Receipts Over (Under) Expenditures	92,757.12	(35,560.43)		
Unencumbered Cash, Beginning	<u>367,989.61</u>	<u>460,746.73</u>		
Unencumbered Cash, Ending	<u>\$ 460,746.73</u>	<u>\$ 425,186.30</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Driver Training Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal 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				
State Aid	\$ 1,480.00	\$ 1,692.00	\$ 1,332.00	\$ 360.00
Other Sources	2,632.50	2,700.00	2,700.00	-
Operating Transfers	-	3,000.00	-	3,000.00
Total Cash Receipts	<u>4,112.50</u>	<u>7,392.00</u>	<u>\$ 4,032.00</u>	<u>\$ 3,360.00</u>
Expenditures				
Instruction	4,602.27	4,834.45	\$ 6,784.00	\$ (1,949.55)
Vehicle Operating Service	<u>1,138.96</u>	<u>712.98</u>	<u>-</u>	<u>712.98</u>
Total Expenditures	<u>5,741.23</u>	<u>5,547.43</u>	<u>\$ 6,784.00</u>	<u>\$ (1,236.57)</u>
Receipts Over (Under) Expenditures	(1,628.73)	1,844.57		
Unencumbered Cash, Beginning	<u>4,778.15</u>	<u>3,149.42</u>		
Unencumbered Cash, Ending	<u>\$ 3,149.42</u>	<u>\$ 4,993.99</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Food Service Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal Year Ended June 30, 2012

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

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Cash Receipts				
State Aid	\$ 2,489.23	\$ 2,619.01	\$ 2,070.00	\$ 549.01
Federal Aid	139,851.44	152,367.91	138,951.00	13,416.91
Local Receipts	87,808.83	92,838.91	94,978.00	(2,139.09)
Operating Transfers	47,800.00	63,000.00	45,000.00	18,000.00
Total Cash Receipts	<u>277,949.50</u>	<u>310,825.83</u>	<u>\$ 280,999.00</u>	<u>\$ 29,826.83</u>
Expenditures				
Operations and Maintenance	-	8,107.26	\$ 11,000.00	\$ (2,892.74)
Food Service Operation	<u>276,749.43</u>	<u>298,438.91</u>	<u>341,045.00</u>	<u>(42,606.09)</u>
Total Expenditures	<u>276,749.43</u>	<u>306,546.17</u>	<u>\$ 352,045.00</u>	<u>\$ (45,498.83)</u>
Receipts Over (Under) Expenditures	1,200.07	4,279.66		
Unencumbered Cash, Beginning	<u>83,881.74</u>	<u>85,081.81</u>		
Unencumbered Cash, Ending	<u>\$ 85,081.81</u>	<u>\$ 89,361.47</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Professional Development Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal 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				
State Aid	\$ 3,600.00	\$ -	\$ -	\$ -
Operating Transfers	8,000.00	10,000.00	5,000.00	5,000.00
Total Cash Receipts	<u>11,600.00</u>	<u>10,000.00</u>	<u>\$ 5,000.00</u>	<u>\$ 5,000.00</u>
Expenditures				
Support Services	<u>7,356.68</u>	<u>7,855.82</u>	<u>\$ 9,100.00</u>	<u>\$ (1,244.18)</u>
Receipts Over (Under) Expenditures	4,243.32	2,144.18		
Unencumbered Cash, Beginning	<u>4,097.05</u>	<u>8,340.37</u>		
Unencumbered Cash, Ending	<u>\$ 8,340.37</u>	<u>\$ 10,484.55</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Parent Education Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal 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				
State Aid	\$ 33,618.00	\$ 35,916.00	\$ 34,090.00	\$ 1,826.00
Other Sources	11,965.04	8,800.04	8,800.00	0.04
Operating Transfers	17,000.00	17,000.00	17,000.00	-
Total Cash Receipts	<u>62,583.04</u>	<u>61,716.04</u>	<u>\$ 59,890.00</u>	<u>\$ 1,826.04</u>
Expenditures				
Student Support Services	56,842.32	63,715.85	\$ 68,337.00	\$ (4,621.15)
Instructional Support Services	490.00	-	3,400.00	(3,400.00)
Total Expenditures	<u>57,332.32</u>	<u>63,715.85</u>	<u>\$ 71,737.00</u>	<u>\$ (8,021.15)</u>
Receipts Over (Under) Expenditures	5,250.72	(1,999.81)		
Unencumbered Cash, Beginning	<u>7,695.31</u>	<u>12,946.03</u>		
Unencumbered Cash, Ending	<u>\$ 12,946.03</u>	<u>\$ 10,946.22</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Special Education Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal 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				
Other Sources	\$ 3,447.34	\$ 3,267.35	\$ 3,500.00	\$ (232.65)
Operating Transfers	605,064.02	615,287.12	658,331.00	(43,043.88)
Total Cash Receipts	<u>608,511.36</u>	<u>618,554.47</u>	<u>\$ 661,831.00</u>	<u>\$ (43,276.53)</u>
Expenditures				
Instruction	589,627.00	588,804.48	\$ 661,448.00	\$ (72,643.52)
Support Services	10,683.00	10,887.97	11,721.00	(833.03)
General Administration	8,205.11	5,478.07	5,187.00	291.07
Transportation	15,587.18	13,141.48	24,043.00	(10,901.52)
Total Expenditures	<u>624,102.29</u>	<u>618,312.00</u>	<u>\$ 702,399.00</u>	<u>\$ (84,087.00)</u>
Receipts Over (Under) Expenditures	(15,590.93)	242.47		
Unencumbered Cash, Beginning	<u>344,113.38</u>	<u>328,522.45</u>		
Unencumbered Cash, Ending	<u>\$ 328,522.45</u>	<u>\$ 328,764.92</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Vocational Education Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal 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				
Operating Transfers	\$ 122,087.00	\$ 127,714.00	\$ 120,188.00	\$ 7,526.00
Expenditures				
Instruction	104,989.45	126,937.06	\$ 131,790.00	\$ (4,852.94)
Receipts Over (Under) Expenditures	17,097.55	776.94		
Unencumbered Cash, Beginning	19,365.25	36,462.80		
Unencumbered Cash, Ending	\$ 36,462.80	\$ 37,239.74		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

KPERS Special Revenue Contribution Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal 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				
State Aid	\$ 189,674.92	\$ 315,580.05	\$ 350,899.00	\$ (35,318.95)
Expenditures				
Employee Benefits	189,674.92	315,580.05	\$ 350,899.00	\$ (35,318.95)
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. 487

Statement 3

Herington, Kansas

Contingency Reserve Fund

Statement of Cash Receipts and Expenditures (Statutory Basis)

For the Fiscal 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		
Operating Transfers	\$ -	\$ 43,198.86
Expenditures	-	-
Receipts Over (Under) Expenditures	-	43,198.86
Unencumbered Cash, Beginning	270,375.92	270,375.92
Unencumbered Cash, Ending	\$ 270,375.92	\$ 313,574.78

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Textbook Rental Fund

Statement of Cash Receipts and Expenditures (Statutory Basis)

For the Fiscal 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		
Textbook Rental	\$ 6,647.00	\$ 5,652.50
Expenditures	48,694.65	-
Receipts Over (Under) Expenditures	(42,047.65)	5,652.50
Unencumbered Cash, Beginning	54,455.75	12,408.10
Unencumbered Cash, Ending	\$ 12,408.10	\$ 18,060.60

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

Herington, Kansas

Recreation Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal Year Ended June 30, 2012

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 60,136.25	\$ 53,792.37	\$ 51,685.00	\$ 2,107.37
Delinquent	2,450.37	2,652.28	1,242.00	1,410.28
Motor Vehicle	8,003.94	7,725.00	9,180.00	(1,455.00)
Recreational Vehicle	272.44	236.90	274.00	(37.10)
Excise Tax	8.39	5.25	-	5.25
Total Cash Receipts	<u>70,871.39</u>	<u>64,411.80</u>	<u>\$ 62,381.00</u>	<u>\$ 2,030.80</u>
Expenditures				
Appropriations	<u>65,000.00</u>	<u>70,000.00</u>	<u>\$ 70,000.00</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	5,871.39	(5,588.20)		
Unencumbered Cash, Beginning	<u>11,001.56</u>	<u>16,872.95</u>		
Unencumbered Cash, Ending	<u>\$ 16,872.95</u>	<u>\$ 11,284.75</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Title I Fund

Statement of Cash Receipts and Expenditures (Statutory Basis)
 For the Fiscal 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	\$ 95,620.00	\$ 109,573.00
Expenditures		
Instruction and Administration	81,660.95	110,200.72
Receipts Over (Under) Expenditures	13,959.05	(627.72)
Unencumbered Cash, Beginning	0.20	13,959.25
Unencumbered Cash, Ending	\$ 13,959.25	\$ 13,331.53

Title I Fund Recovery Act

Statement of Cash Receipts and Expenditures (Statutory Basis)
 For the Fiscal 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	\$ 27,800.00	\$ -
Expenditures		
Instruction and Administration	27,800.18	-
Receipts Over (Under) Expenditures	(0.18)	-
Unencumbered Cash, Beginning	0.18	-
Unencumbered Cash, Ending	\$ -	\$ -

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Title II-A Fund

Statement of Cash Receipts and Expenditures (Statutory Basis)

For the Fiscal 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	\$ 22,344.00	\$ 19,123.00
Expenditures		
Instruction and Administration	22,344.23	19,123.00
Receipts Over (Under) Expenditures	(0.23)	-
Unencumbered Cash, Beginning	0.23	-
Unencumbered Cash, Ending	\$ -	\$ -

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Title II-D Fund

Statement of Cash Receipts and Expenditures (Statutory Basis)

For the Fiscal 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	\$ 324.00	\$ -
Expenditures		
Instruction and Administration	323.76	-
Receipts Over (Under) Expenditures	0.24	-
Unencumbered Cash, Beginning	(0.24)	-
Unencumbered Cash, Ending	\$ -	\$ -

Title II-D Fund Recovery Act

Statement of Cash Receipts and Expenditures (Statutory Basis)

For the Fiscal 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	\$ 949.00	\$ -
Expenditures		
Instruction and Administration	949.00	-
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. 487

Statement 3

Herington, Kansas

Title V Fund

Statement of Cash Receipts and Expenditures (Statutory Basis)
 For the Fiscal 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	\$ -	\$ -
Expenditures		
Instruction	0.17	-
Receipts Over (Under) Expenditures	(0.17)	-
Unencumbered Cash, Beginning	0.17	-
Unencumbered Cash, Ending	\$ -	\$ -

Reap - Rural Education Grant Fund

Statement of Cash Receipts and Expenditures (Statutory Basis)
 For the Fiscal 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	\$ 31,491.00	\$ 30,387.00
Expenditures		
Instruction	31,491.00	30,387.00
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. 487

Statement 3

Herington, Kansas

Bond and Interest Fund

Statement of Cash Receipts and Expenditures - Actual and Budget (Statutory Basis)

For the Fiscal 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 Revenue:				
Ad Valorem Property Tax	\$ 278,919.38	\$ 299,676.35	\$ 288,332.00	\$ 11,344.35
Delinquent	132.33	2,737.64	6,013.00	(3,275.36)
Motor Vehicle	-	1,738.71	9,909.00	(8,170.29)
Recreational Vehicle	-	80.21	295.00	(214.79)
Interest	91,014.15	6,751.66	17,000.00	(10,248.34)
Federal Aid	400,282.40	369,491.50	369,491.00	0.50
State Aid	349,390.00	315,652.00	315,652.00	-
Other	-	-	40,000.00	(40,000.00)
Operating Transfers	21,318.27	-	-	-
Total Cash Receipts	<u>1,141,056.53</u>	<u>996,128.07</u>	<u>\$ 1,046,692.00</u>	<u>\$ (50,563.93)</u>
Expenditures				
Interest	<u>1,143,663.63</u>	<u>1,055,688.50</u>	<u>\$ 1,055,690.00</u>	<u>\$ (1.50)</u>
Receipts Over (Under) Expenditures	(2,607.10)	(59,560.43)		
Unencumbered Cash, Beginning	<u>202,711.48</u>	<u>200,104.38</u>		
Unencumbered Cash, Ending	<u>\$ 200,104.38</u>	<u>\$ 140,543.95</u>		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Project Bond Issue

Statement of Cash Receipts and Expenditures (Statutory Basis)

For the Fiscal 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		
Hazard Mitigation Grant	\$ 1,325,319.00	\$ -
Other	450.00	-
Total Cash Receipts	<u>1,325,769.00</u>	<u>-</u>
Expenditures		
New Acquisition and Improvement	11,771,275.15	2,679,170.17
Equipment	769,146.34	143,093.68
Operating Transfers	21,318.27	-
Total Expenditures	<u>12,561,739.76</u>	<u>2,822,263.85</u>
Receipts Over (Under) Expenditures	(11,235,970.76)	(2,822,263.85)
Unencumbered Cash, Beginning	<u>14,174,732.46</u>	<u>2,938,761.70</u>
Unencumbered Cash, Ending	<u>\$ 2,938,761.70</u>	<u>\$ 116,497.85</u>

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 3

Herington, Kansas

Gifts and Grants Fund

Statement of Cash Receipts and Expenditures (Statutory Basis)

For the Fiscal 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		
Gifts and Grants	\$ 4,535.00	\$ 37,738.63
Interest on Idle Funds	150.50	112.27
Miscellaneous Revenue	3,129.96	1,738.30
State Grants	22,670.68	-
Total Cash Receipts	<u>30,486.14</u>	<u>39,589.20</u>
Expenditures		
Instruction and Programs	<u>26,788.80</u>	<u>30,283.71</u>
Receipts Over (Under) Expenditures	3,697.34	9,305.49
Unencumbered Cash, Beginning	<u>30,565.78</u>	<u>34,263.12</u>
Unencumbered Cash, Ending	<u>\$ 34,263.12</u>	<u>\$ 43,568.61</u>

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 4

Herington, Kansas

Agency Funds

Summary of Cash Receipts and Expenditures (Statutory Basis)

For the Fiscal Year Ended June 30, 2012

Student Organization Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Herington High School				
Class of 2012	\$ 1,213.79	\$ 6,455.68	\$ 7,669.47	\$ -
Class of 2013	1,115.59	7,770.77	8,806.75	79.61
Class of 2014	280.44	297.38	-	577.82
Class of 2015	-	1,454.43	174.00	1,280.43
Spirit Squad	282.39	11,200.77	10,969.33	513.83
FBLA	610.70	312.28	391.34	531.64
FCCLA	385.17	2,467.70	2,665.81	187.06
Student Council	8,190.29	7,329.84	7,985.95	7,534.18
National Honor Society	353.09	319.24	335.73	336.60
Vocal Music Club	1,916.62	984.27	2,124.00	776.89
Drama Club	349.73	1,002.79	922.50	430.02
Dance Team	255.68	2,288.58	1,450.96	1,093.30
Art Club	85.85	366.76	55.03	397.58
HCC News Team	9.95	30.00	-	39.95
Forensics Club	5.26	408.00	-	413.26
Subtotal Herington High School	<u>15,054.55</u>	<u>42,688.49</u>	<u>43,550.87</u>	<u>14,192.17</u>
Herington Middle School				
6th Grade	76.00	-	76.00	-
7th Grade	-	76.00	-	76.00
8th Grade	839.73	2,758.80	3,009.41	589.12
Student Council	<u>5,421.98</u>	<u>14,501.41</u>	<u>14,255.35</u>	<u>5,668.04</u>
Subtotal Herington Middle School	<u>6,337.71</u>	<u>17,336.21</u>	<u>17,340.76</u>	<u>6,333.16</u>
Total Student Organization Funds	<u>21,392.26</u>	<u>60,024.70</u>	<u>60,891.63</u>	<u>20,525.33</u>
Sales Tax	<u>(478.20)</u>	<u>8,827.54</u>	<u>8,343.29</u>	<u>6.05</u>
Total Agency Funds	<u>\$ 20,914.06</u>	<u>\$ 68,852.24</u>	<u>\$ 69,234.92</u>	<u>\$ 20,531.38</u>

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

UNIFIED SCHOOL DISTRICT NO. 487

Herington, Kansas

District Activity Funds

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

Statement 5

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts						
Herington High School						
Athletics	\$ 3,623.29	\$ 59,874.39	\$ 58,558.40	\$ 4,939.28	\$ -	\$ 4,939.28
Band	1,677.78	7,581.18	7,045.96	2,213.00	-	2,213.00
Banner Fund	320.80	490.46	-	811.26	-	811.26
Quiz Bowl	471.87	474.96	393.00	553.83	-	553.83
Subtotal Herington High School	<u>6,093.74</u>	<u>68,420.99</u>	<u>65,997.36</u>	<u>8,517.37</u>	<u>-</u>	<u>8,517.37</u>
Herington Middle School						
Athletics	<u>60.00</u>	<u>10,597.68</u>	<u>10,213.97</u>	<u>443.71</u>	<u>-</u>	<u>443.71</u>
Subtotal Gate Receipts	<u>6,153.74</u>	<u>79,018.67</u>	<u>76,211.33</u>	<u>8,961.08</u>	<u>-</u>	<u>8,961.08</u>
School Projects						
Herington High School	6,640.36	25,878.79	25,352.79	7,166.36	-	7,166.36
Herington Middle School	347.23	413.01	316.80	443.44	-	443.44
Herington Elementary School	<u>7,888.70</u>	<u>4,442.56</u>	<u>4,915.12</u>	<u>7,416.14</u>	<u>-</u>	<u>7,416.14</u>
Subtotal School Projects	<u>14,876.29</u>	<u>30,734.36</u>	<u>30,584.71</u>	<u>15,025.94</u>	<u>-</u>	<u>15,025.94</u>
Total District Activity Funds	<u>\$ 21,030.03</u>	<u>\$ 109,753.03</u>	<u>\$ 106,796.04</u>	<u>\$ 23,987.02</u>	<u>\$ -</u>	<u>\$ 23,987.02</u>

UNIFIED SCHOOL DISTRICT NO. 487

Statement 6

Herington, Kansas

Component Unit

Herington Recreation Commission

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Unified School District No. 487	\$ 65,000.00	\$ 70,000.00	\$ 70,000.00	\$ -
Interest	21.49	9.10	-	9.10
Fees and User Charges	17,154.46	16,130.05	16,500.00	(369.95)
Total Cash Receipts	82,175.95	86,139.15	\$ 86,500.00	\$ (360.85)
Expenditures				
Salaries and Payroll Taxes	40,700.44	42,976.57	\$ 43,000.00	\$ (23.43)
Utilities	2,432.96	3,252.73	3,500.00	(247.27)
Maintenance and Supplies	5,311.22	5,260.13	5,200.00	60.13
Programs and Activities	14,969.52	15,068.58	19,500.00	(4,431.42)
Insurance	2,341.20	2,644.80	3,000.00	(355.20)
Miscellaneous	1,385.00	1,400.00	780.00	620.00
Capital Outlay	12,017.84	11,835.76	35,141.00	(23,305.24)
Total Expenditures	79,158.18	82,438.57	\$ 110,121.00	\$ (27,682.43)
Receipts Over (Under) Expenditures	3,017.77	3,700.58		
Unencumbered Cash, Beginning	21,287.94	24,305.71		
Unencumbered Cash, Ending	\$ 24,305.71	\$ 28,006.29		

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

UNIFIED SCHOOL DISTRICT NO. 487

Statement 7

Herington, Kansas

Component Unit

Tri-County Arts Association

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Activities and Other	\$ 10.00	\$ -
Expenditures		
Activities and Other	-	128.00
Receipts Over (Under) Expenditures	10.00	(128.00)
Unencumbered Cash, Beginning	5,146.74	5,156.74
Unencumbered Cash, Ending	\$ 5,156.74	\$ 5,028.74

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

UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 Reporting Entity

Unified School District No. 487 is a municipal corporation governed by an elected seven-member Board of Education. These financial statements present Unified School District No. 487 (the primary government) and its component units the Herington Recreation Commission and Tri-County Arts Association. The component units are included in the district's reporting entity because of the significance of their operational and financial relationship with the district.

Note 2 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 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 expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the district are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

The financial statements include partial-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Unified School District No. 487's financial statements for the year ended June 30, 2011, from which such partial information was derived.

Note 3 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:

UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2012

Note 3 Budgetary Information (Cont.)

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but a least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There 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	Title II-D Fund
Textbook Rental Fund	Title II-D Fund Recovery Act
Title I Fund	Title V Fund
Title I Fund Recovery Act	Reap-Rural Education Grant Fund
Title II-A Fund	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.

Note 4 Deposits and Investments

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

K.S.A. 12-1675 limits the district's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices.

UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2012

Note 4 Deposits and Investments (Cont.)

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

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

At June 30, 2012, the district's carrying amount of deposits was \$1,558,454.62 and the bank balance was \$1,847,982.73. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance \$454,044.96 was covered by federal depository insurance, and \$1,393,937.77 was collateralized with securities held by the pledging financial institutions' agents in the district's name.

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

Note 5 Interfund Transfers

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	At-Risk Fund (4 Year Old)	K.S.A. 72-6428	\$ 49,570.00
General Fund	At-Risk Fund (K-12)	K.S.A. 72-6428	613,314.11
General Fund	Capital Outlay Fund	K.S.A. 72-6428	127,000.00
General Fund	Food Service Fund	K.S.A. 72-6428	45,000.00
General Fund	Professional Development Fund	K.S.A. 72-6428	10,000.00
General Fund	Parent Education Fund	K.S.A. 72-6428	7,000.00
General Fund	Special Education Fund	K.S.A. 72-6428	438,448.00
General Fund	Vocational Education Fund	K.S.A. 72-6428	127,714.00
General Fund	Contingency Reserve Fund	K.S.A. 72-6428	43,198.86
General Fund	Drivers Training Fund	K.S.A. 72-6428	3,000.00
Supplemental General Fund	Parent Education Fund	K.S.A. 72-6433	10,000.00
Supplemental General Fund	Special Education Fund	K.S.A. 72-6433	176,839.12
Supplemental General Fund	Food Service Fund	K.S.A. 72-6433	18,000.00

Note 6 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.

UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2012

Note 6 Defined Benefit Pension Plan (Cont.)

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary or 6% if hired on or after July 1, 2009. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 8.77% of covered payroll for the period July 1, 2011 to June 30, 2012. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%. These contributions are established by KPERS and are periodically revised. For more information please see the KPERS website at www.kpers.org.

The State of Kansas' contributions to KPERS for all school municipalities for the years ending June 30, 2012, 2011, and 2010 were \$314,466,993, \$253,834,044, and \$248,468,186 respectively, equal to the statutory required contributions each year.

For the employer rates for school-type municipalities that hire a KPERS retiree, please see the main KPERS site at <http://kpers.org/contributionrates.htm>.

Note 7 Other Post Employment Benefits

As provided by K.S.A. 12-5040, the district allows retirees to participate in the group health insurance plan. The district pays the cost of a single premium for each retiree and the retiree is responsible for the balance. During the year ended June 30, 2012, the District paid \$9,571.60 under this plan. Any remaining subsidy to retirees due to the plan's level premium structure has not been quantified in these financial statements. Those eligible for this program may receive benefits for up to 10 years.

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 fully by the insured. There is no cost to the district under this program.

Note 8 Compensated Absences

The district provides compensation for absences. For an in-depth understanding, the policy in its entirety should be reviewed. District policy is to recognize the costs of compensated absences when paid.

Note 9 Subsequent Events

The district's management has evaluated events and transactions occurring after June 30, 2012 through December 27, 2012. The aforementioned date represents the date the financial statements were available to be issued.

On September 7, 2012, the District received a corrected distribution payment of \$7,788.23 from the Dickinson County Treasurer. Due to a computer software issue, the District did not receive the motor vehicle tax and recreation vehicle tax for the Bond and Interest Fund that was levied for the 2011-2012 year. The corrected distribution was made when the error was uncovered, which occurred subsequent to June 30, 2012.

UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10 Capital Projects

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Cash Disbursements and Accounts Payable To Date
Elementary Building	\$16,055,319	\$15,509,965

Note 11 Compliance with Statutes

K.S.A. 10-1113 requires that each fund comply with the cash basis laws of the State of Kansas. No commitments or indebtedness should be incurred unless there is available cash in the fund. K.S.A. 10-1116A exempts expenditures by school districts that are in excess of current revenues if the deficit in revenues is caused by the late distribution of state aid. The General and Supplemental General Funds expenditures exceed the fund balances due to the final June state aid payment for the fiscal year ended June 30, 2012 being disbursed by the State of Kansas in July 2012. The June state aid payments received in July 2012 were \$302,479.00 and \$34,076.00 for the General Fund and Supplemental General Fund, respectively.

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the district after June 30, 2012, as a receipt for the school year ending on June 30, 2012. The following two pages show the revenue as required by these statutes.

UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2012

Note 11 Compliance With Statutes (Cont.)

Statutory Revenues and Expenditures - Statutory and Budget
For the Fiscal Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	General Fund			
	Prior Year Statutory Transactions	Statutory Transactions	Current Year Budget	Variance Over (Under)
Statutory Revenues				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 311,988.29	\$ 320,991.84	\$ 307,638.00	\$ 13,353.84
Delinquent	9,057.58	11,880.87	6,438.00	5,442.87
Mineral Tax	201.33	230.83	-	230.83
Reimbursements	3,386.06	6,381.27	-	6,381.27
State Equalization Aid	2,932,645.00	3,091,328.00	3,223,104.00	(131,776.00)
State Aid - Special Education	415,057.00	438,448.00	525,186.00	(86,738.00)
ARRA Stabilization Funds	192,067.00	1,795.00	-	1,795.00
Total Cash Receipts	<u>3,864,402.26</u>	<u>3,871,055.81</u>	<u>\$ 4,062,366.00</u>	<u>\$ (191,310.19)</u>
Expenditures				
Instruction	1,194,088.57	913,434.33	\$ 1,227,874.00	\$ (314,439.67)
Student Support Services	38,105.21	69,854.79	63,822.00	6,032.79
Instructional Support Staff	188,818.94	204,128.15	188,877.00	15,251.15
General Administration	208,013.74	216,217.52	215,231.00	986.52
School Administration	278,541.64	330,439.74	282,387.00	48,052.74
Operations and Maintenance	462,019.84	550,666.98	516,670.00	33,996.98
Transportation	136,452.87	122,069.33	140,511.00	(18,441.67)
Operating Transfers	1,358,361.45	1,464,244.97	1,426,994.00	37,250.97
Adjustment to Comply with Legal Max	-	-	(197,694.00)	197,694.00
Legal General Fund Budget	<u>3,864,402.26</u>	<u>3,871,055.81</u>	<u>3,864,672.00</u>	<u>6,383.81</u>
Adjustment for Qualifying Budget Credits	-	-	6,383.81	(6,383.81)
Total Expenditures	<u>3,864,402.26</u>	<u>3,871,055.81</u>	<u>\$ 3,871,055.81</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	-	-		
Modified Unencumbered Cash, Beginning	-	-		
Modified Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2012

Note 11 Compliance With Statutes (Cont.)

Statutory Revenues and Expenditures - Statutory and Budget
For the Fiscal Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

Supplemental General Fund

	Prior Year Statutory <u>Transactions</u>	Current Year			Variance Over (Under)
		<u>Statutory Transactions</u>	<u>Budget</u>		
Statutory Revenues					
Taxes and Shared Revenue:					
Ad Valorem Property Tax	\$ 419,707.25	\$ 431,276.21	\$ 459,407.00	\$	(28,130.79)
Delinquent	14,390.28	16,756.45	8,692.00		8,064.45
Motor Vehicle	50,212.33	50,824.47	60,540.00		(9,715.53)
Recreational Vehicle	1,713.79	1,561.20	1,804.00		(242.80)
Excise Tax	51.67	34.38	-		34.38
State Aid	655,804.00	580,622.00	559,717.00		20,905.00
Total Cash Receipts	<u>1,141,879.32</u>	<u>1,081,074.71</u>	<u>\$ 1,090,160.00</u>	\$	<u>(9,085.29)</u>
Expenditures					
Instruction	766,190.30	743,072.00	\$ 792,465.00	\$	(49,393.00)
Student Support Services	25,997.07	45,910.86	48,578.00		(2,667.14)
Instructional Support Staff	63,254.93	68,073.90	70,812.00		(2,738.10)
Equipment	4,550.68	3,104.12	10,000.00		(6,895.88)
Operating Transfers	265,007.02	204,839.12	143,145.00		61,694.12
Total Expenditures	<u>1,125,000.00</u>	<u>1,065,000.00</u>	<u>\$ 1,065,000.00</u>	\$	<u>-</u>
Receipts Over (Under) Expenditures	16,879.32	16,074.71			
Modified Unencumbered Cash, Beginning	<u>17,943.80</u>	<u>34,823.12</u>			
Modified Unencumbered Cash, Ending	<u>\$ 34,823.12</u>	<u>\$ 50,897.83</u>			

UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2012

Note 12 Long-Term Debt

Changes in long-term liabilities for the district for the fiscal 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										
Taxable Build America Series 2010	5.6-7.37%	2/1/2010	\$ 14,900,000.00	9/1/2041	\$ 14,900,000.00	\$ -	\$ -	\$ -	\$ 14,900,000.00	\$ 1,055,689.50
Capital Lease										
School Facilities - Equip, repair, improve	0.0%	12/1/2005	\$ 389,865.00	12/30/2012	111,390.00	-	55,695.00	-	55,695.00	-
Compensated Absences					429,365.27	-	-	(2,677.76)	426,687.51	-
Total Long-Term Debt					\$ 15,440,755.27	\$ -	\$ 55,695.00	\$ (2,677.76)	\$ 15,382,382.51	\$ 1,055,689.50

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	2023-2027
Principal:							
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ 25,000.00	\$ 500,000.00	\$ 1,330,000.00
Capital Leases	55,695.00	-	-	-	-	-	-
Interest:							
General Obligation Bonds	1,055,689.50	1,055,689.50	1,055,689.50	1,055,689.50	1,054,989.50	5,215,683.00	4,937,580.25
Capital Leases	-	-	-	-	-	-	-
Total Principal and Interest	\$ 1,111,384.50	\$ 1,055,689.50	\$ 1,055,689.50	\$ 1,055,689.50	\$ 3,569,989.50	\$ 5,715,683.00	\$ 6,267,580.25
	Year						
	2028-2032	2033-2037	2038-2042	Total			
Principal:							
General Obligation Bonds	\$ 2,490,000.00	\$ 4,135,000.00	\$ 6,420,000.00	\$ 14,900,000.00			
Capital Leases	-	-	-	55,695.00			
Interest:							
General Obligation Bonds	4,312,268.50	3,148,943.75	1,256,632.25	24,148,855.25			
Capital Leases	-	-	-	-			
Total Principal and Interest	\$ 6,802,268.50	\$ 11,418,943.75	\$ 14,096,632.25	\$ 52,149,550.25			