

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

Statutory Basis Financial Statement and
Independent Auditors' Report with
Supplemental Information and
Federal Compliance Section

For the Fiscal Year Ended June 30, 2012

**BAXTER SPRINGS UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

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**BAXTER SPRINGS UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

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Diehl Banwart Bolton

Certified Public Accountants P.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Unified School District #508
Baxter Springs, Kansas 66713

We have audited the Summary Statement of Cash Receipts, Expenditures, and Unencumbered Cash of the Unified School District #508, Baxter Springs, Kansas, as of June 30, 2012. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District's policy is to prepare its financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory 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 District's policy to prepare its financial statement on the basis of accounting discussed in the preceding paragraph, the financial statement referred to in the first paragraph does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District #508, Baxter Springs, Kansas, as of June 30, 2012, or the respective changes in financial position and, where applicable, its cash flows for the fiscal year then ended.

Board of Education
Unified School District #508
Baxter Springs, Kansas

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash and unencumbered cash balances of Unified School District #508, Baxter Springs, Kansas, as of June 30, 2012, and its aggregate cash receipts and expenditures, for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with **Government Auditing Standards**, we have also issued reports dated January 25, 2013, on our consideration of the District's internal control structure and on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the financial statement of the District. The supplemental schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement taken as a whole.

Diehl Banwart Bolton CPA's PA

DIEHL, BANWART, BOLTON, CPAs PA

January 25, 2013
Pittsburg, Kansas

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

**Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2012**

| Funds | Beginning Unencumbered Cash Balances | Prior Year Cancelled Encumbrances | Cash Receipts | Expenditures | Ending Unencumbered Cash Balances | Plus Encumbrances and Accounts Payable | Cash Balances June 30, 2012 |
|--------------------------------|--|---|------------------|--------------|---|--|-----------------------------------|
| GOVERNMENTAL TYPE FUNDS | | | | | | | |
| General Fund | - | \$62 | \$7,162,100 | \$7,162,099 | \$62 | \$65,711 | \$65,773 |
| Special Revenue Funds | | | | | | | |
| Supplemental General | 6,765 | - | 1,652,067 | 1,590,000 | 68,831 | 2,684 | 71,515 |
| 4 Yr Old At Risk | - | - | 65,000 | 65,000 | - | - | - |
| K - 12 At Risk | - | - | 1,150,000 | 1,149,499 | 501 | 8 | 509 |
| Bilingual | 503 | - | - | - | 503 | - | 503 |
| Capital Outlay | 1,495,281 | - | 187,445 | 592,572 | 1,090,154 | 25,988 | 1,116,142 |
| Driver Education | 18,022 | - | 11,098 | 19,120 | 10,000 | 250 | 10,250 |
| Food Service | 262,211 | - | 621,335 | 594,345 | 289,201 | 42,506 | 331,707 |
| Professional Development | 7,408 | - | 4,693 | 12,101 | 0 | - | 0 |
| Special Education | 296,564 | - | 1,259,721 | 1,256,278 | 300,007 | 250 | 300,257 |
| Vocational Education | - | - | 260,000 | 260,000 | - | 4,356 | 4,356 |
| KPERS Special Retirement | - | - | 663,509 | 663,509 | - | - | 0 |
| Contingency Reserve | 600,001 | - | - | - | 600,001 | - | 600,001 |
| Student Materials | 215,925 | - | 15,598 | 7,196 | 224,327 | - | 224,327 |
| Title II | 648 | - | 54,145 | 54,139 | 654 | 215 | 869 |
| Title I | - | - | 301,837 | 301,832 | 5 | - | 5 |
| ESOL | 1 | - | 3,401 | 3,402 | - | 953 | 953 |
| Title I ARRA | 2,500 | - | - | - | 2,500 | - | 2,500 |
| School Preparedness Grant | 750 | - | - | - | 750 | - | 750 |
| Rural Low Income Schools | - | - | 24,415 | 24,415 | - | 12,835 | 12,835 |
| Education | 6,925 | - | 40 | - | 6,965 | - | 6,965 |
| District Activity Funds | 13,958 | - | 118,556 | 121,863 | 10,651 | - | 10,651 |
| Debt Service Fund | | | | | | | |
| Bond and Interest | 1,313 | - | - | - | 1,313 | - | 1,313 |
| EXPENDABLE TRUST | | | | | | | |
| Special Grants | 10,048 | - | 4,671 | 3,208 | 11,511 | - | 11,511 |
| Abernathy Trust | 152,336 | - | 1,025 | 95,186 | 58,175 | - | 58,175 |
| NON-EXPENDABLE TRUST | | | | | | | |
| Taylor Scholarship Fund | 182,713 | - | 3,289 | 2,850 | 183,152 | - | 183,152 |
| Hartzell Scholarship Fund | 6,154 | - | 13 | - | 6,167 | - | 6,167 |
| Capital Project Fund | - | - | 500,010 | 2,500 | 497,510 | - | 497,510 |
| Total Reporting Entity | \$3,280,025 | \$62 | \$14,063,967 | \$13,981,112 | \$3,362,942 | \$155,755 | \$3,518,697 |

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

(Continued)

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2012

| | Cash Balances June 30, 2012 |
|---------------------------------------|-----------------------------------|
| Composition of Cash | |
| General Checking NOW Accounts..... | \$2,818,716 |
| Activity Checking Accounts..... | 43,142 |
| Petty Cash..... | 2,500 |
| Certificates of Deposit..... | 183,152 |
| Savings Account..... | 6,167 |
| Kansas Municipal Investment Pool..... | 497,510 |
| Total Cash (See Note 8) | 3,551,187 |
| Less Agency Funds per Statement 4 | (32,490) |
| Total Reporting Entity..... | <u>\$3,518,697</u> |

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

BAXTER SPRINGS UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS

NOTES TO THE FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of Unified School District #508, Baxter Springs, Kansas (District), has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The District is a municipal corporation governed by an elected seven-member board. This financial statement presents USD #508 (the primary government). The District has developed criteria to determine whether outside agencies, with activities which benefit the members of the District, should be included within its financial reporting entity. This criteria include but are not limited to, whether the District exercises financial accountability, selection of governing authority, designation of management, ability to significantly influence operations, scope of public service and special financing relationships. Based on the above criteria, the District has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a component unit in these financial statements.

Basis of Presentation - Fund Accounting

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

The following types of funds comprise the financial activities of the District:

GOVERNMENTAL FUNDS

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

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)
Basis of Presentation - Fund Accounting - (Continued)

GOVERNMENTAL FUNDS - (Continued)

Debt Service Fund -- to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments, which are general obligations of the District.

FIDUCIARY FUNDS

Trust and Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust Funds, Non-Expendable Trust Funds and Agency Funds.

Basis of Presentation - Special Financial Statements

This financial statement is presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased and include cash received as well as state aid for the current fiscal year received in the subsequent fiscal year. For an interfund transfer, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an inter-fund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. 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.

Departures 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, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue, 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 accounting principles generally accepted in the United States of America. 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 are not presented in the financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

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. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The General Fund budget was amended on June 25, 2012.

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 cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments of 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 the Contingency Reserve and Student Materials Funds. In addition, a legal operating budget is not required for grant and fiduciary 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Compensated Absences

Full time employees receive twelve days of sick leave at the beginning of the school year. An employee may accumulate up to 70 days of sick leave. Upon KPERs retirement or death of the employee, the District pays \$70 per day of accumulated unused sick leave. No other payments are made for unused sick leave.

Full time, twelve-month employees accrue 20 days of vacation each year on June 30, which is to be taken within twelve months after year end.

The District determines a liability for compensated absences when the following conditions are met:

1. The District's obligation relating to the employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and is material to the financial statements.

In accordance with the above criteria, the District has determined a liability for accrued sick pay totaling \$56,175 as of June 30, 2012. However, the liability is not shown as a current liability, inasmuch as it is not expected to be paid from current resources.

Termination and Post Employment Benefits

No termination benefits are provided to District employees when employment with the District ends except for the accrued compensated absences as discussed in Note 1 and early retirement benefits.

A retirement benefit is available when an employee eligible for KPERS retires. The payments are made as a lump sum of \$175 per years of service with District.

In accordance with this retirement policy, sixteen employees are eligible to retire and receive lump sum benefits totaling \$74,375.

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 local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

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

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Compliance with Kansas Statutes

The financial statement has been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in the financial statement, the District was in apparent compliance with the cash basis and budget laws of Kansas.

3. **CASH IN BANK AND DEPOSITORY SECURITY**

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

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

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. At June 30, 2012, the District's funds were held by two banks resulting in a concentration of credit risk.

3. **CASH IN BANK AND DEPOSITORY SECURITY** (Continued)

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%. At June 30, 2012, the District was in compliance with this requirement.

At June 30, 2012 the District's carrying amount of deposits was \$3,053,677 and the bank balance was \$3,407,269. The bank balance was held by two banks resulting in limited diversification of credit risk. Of the bank balance, \$276,657 was covered by federal depository insurance, and \$3,130,612 was collateralized with securities totaling \$3,930,350 held by the pledging financial institutions' agents in the District's name.

The District's only investment is in the Kansas Municipal Investment Pool. The details are shown below:

| <u>Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> | <u>Rating</u> |
|----------------------------------|------------------|-------------------|-----------------|
| Kansas Municipal Investment Pool | Less than 1 year | \$ 497,510 | S&P AAA+/S1+ |

4. **PENSION PLAN**

Plan Description

The School 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, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired before July 1, 2009. For employees hired after that date the contribution rate is 6%. Member-employee's 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 for the period ended June 30, 2012. These contribution requirements are established by KPERS and are periodically reviewed. Kansas's employer contribution to KPERS for all school municipality employees for the years ending June 30, 2012, 2011, and 2010, was \$298,635,383, \$253,834,044, and \$248,468,168, respectively, equal to the statutory required contribution for each year. The amounts attributable to the District for the years ending June 30, 2012, 2011, and 2010 were \$547,126, \$496,153, and \$434,593.

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The District continues to carry commercial insurance for these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

6. CONTINGENCIES

In the normal course of operations, the District participates in various federal or state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

7. TRANSFERS

Operating transfers are routinely made from the General and Supplemental General Funds to other funds as allowed by Kansas Statutes. Operating transfers were as follows:

| FROM | TO | STATUTORY AUTHORITY | AMOUNT |
|----------------------|--------------------------|------------------------|-----------|
| General | Capital Outlay | K.S.A. 72-6428 | \$ 38,585 |
| General | Vocational Education | K.S.A. 72-6421 | 75,305 |
| General | Special Education | K.S.A. 72-6420 | 1,193,979 |
| General | ESOL | K.S.A. 72-9509 | 3,401 |
| General | Professional Development | K.S.A. 72-9609 | 1,440 |
| General | Drivers Education | K.S.A. 72-6423 | 5,176 |
| General | K-12 At Risk | K.S.A. 72-6414a | 130,597 |
| General | 4 Year Old At Risk | K.S.A. 72-6414b | 6,371 |
| General | Food Service | K.S.A. 72-5119 | 121,650 |
| Supplemental General | Special Education | K.S.A. 72-6420 | 65,116 |
| Supplemental General | K-12 At Risk | K.S.A. 72-6414a | 1,019,403 |
| Supplemental General | 4 Year Old At Risk | K.S.A. 72-6414b | 58,629 |
| Supplemental General | Vocational Education | K.S.A. 72-6435 | 174,750 |
| Supplemental General | Professional Development | K.S.A. 72-9609 | 3,253 |

8. AMENDED BUDGET

On June 25, 2012, the District amended its General Fund Budget. Shown below are the details of the original and amended budgets.

| | Original Amount | Change | Amended Budget |
|------------------------------------|---------------------|-------------------|---------------------|
| Expenditures | | | |
| Instruction | \$ 3,066,454 | \$ - | \$ 3,066,454 |
| Support Services | | | |
| Student Support | 281,500 | - | 281,500 |
| Instructional Support | 260,000 | - | 260,000 |
| General Administration | 346,000 | - | 346,000 |
| School Administration | 512,500 | - | 512,500 |
| Operations and Maintenance | 942,500 | - | 942,500 |
| Other Support Services | - | - | - |
| Transportation | 158,500 | - | 158,500 |
| Operating Transfers to Other Funds | 1,215,000 | 104,706 | 1,319,706 |
| Total | <u>\$ 6,782,454</u> | <u>\$ 104,706</u> | <u>\$ 6,887,160</u> |

9. PRIOR PERIOD ADJUSTMENT

The beginning unencumbered cash balances of the General and Supplemental General Funds have been restated because of a change in the statutory basis of accounting. State aid payments received in these funds after June 30 are now recorded as additional revenue in the current year. Accordingly the District's total beginning unencumbered cash has also been restated. Details of the adjustments are shown below:

| | Original Amount | Change | Restated Amount |
|---------------------------|--------------------|------------|--------------------|
| General Fund | \$ (711,377) | \$ 711,377 | \$ - |
| Supplemental General Fund | (65,727) | 72,492 | 6,765 |
| Total District | 2,496,156 | 783,869 | 3,280,025 |

10. SUBSEQUENT EVENT

Subsequent events have been evaluated through the date of the Independent Auditors' Report as shown on page 2 of this financial statement. On September 5, 2012, the District issued \$8,000,000 of General Obligation Bonds. \$500,000 of the proceeds was used to refund the Series 2012-A bonds. The bonds interest rate ranges from 2.0%-3.0%. The final maturity is September 1, 2032. Details of their maturity are shown in Note 11.

11. LONG TERM OBLIGATIONS

Details about the District's long-term obligations, changes in long term debt, and current next five years and thereafter are recorded as follows:

Schedule of Changes in Long Term Obligations for the Year Ended June 30, 2012

| | Interest Rates | Date of Issue | Amount of Issue | Date of Final Maturity | Balances Beginning of Year | Additions / New Debt | Reductions / Principal Paid | Balances End of Year | Interest Paid |
|---------------------------------|----------------|---------------|-----------------|------------------------|----------------------------|----------------------|-----------------------------|----------------------|---------------|
| <u>General Obligation Bonds</u> | | | | | | | | | |
| Series 2012-A | 0.7% | 6/7/2012 | \$ 500,000 | 9/1/2013 | \$ - | \$500,000 | \$ - | \$500,000 | \$ - |
| <u>Capital Leases</u> | | | | | | | | | |
| School Buses | 4.50% | 8/23/2007 | \$ 132,270 | 8/1/2011 | 27,724 | - | 27,724 | - | 1,276 |
| School Buses | 4.25% | 10/20/2010 | 264,059 | 10/20/2014 | 59,922 | - | 14,059 | 45,863 | 2,457 |
| Apple Computer | 3.00% | 7/15/2008 | 163,046 | 6/30/2012 | 42,535 | - | 42,535 | - | 1,276 |
| Apple Computer | 1.90% | 6/26/2012 | 250,590 | 7/26/2015 | - | 250,590 | - | 250,590 | - |
| <u>Compensated Absences</u> | | | | | | | | | |
| Sick Pay | | | | | 53,620 | 2,555 | - | 56,175 | - |
| Early Retirement | | | | | 57,925 | 16,450 | - | 74,375 | - |
| Total Long Term Debt | | | | | \$ 241,726 | \$769,595 | \$ 84,318 | \$927,003 | \$ 5,009 |

11. LONG TERM OBLIGATIONS (Continued)

Schedule of Maturities for the Years Ended June 30,

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018-2022 | 2023-2027 | 2028-2032 | 2033-2037 | Totals |
|-------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|---------------------|--------------------|--------------------|-------------------|---------------------|
| Principal | | | | | | | | | | |
| General Obligation Bonds | | | | | | | | | | |
| Series 2012-A | \$500,000 | \$ - | \$ 300,000 | \$ 305,000 | \$ 315,000 | \$ 1,720,000 | \$ 2,075,000 | \$ 2,540,000 | \$ 570,000 | \$ 500,000 |
| Series 2012-B | - | 175,000 | - | - | - | - | - | - | - | 8,000,000 |
| Capital Leases | | | | | | | | | | |
| School Bus | 14,656 | 15,279 | 15,928 | - | - | - | - | - | - | 45,863 |
| Apple Computers | 64,427 | 60,890 | 62,047 | 63,226 | - | - | - | - | - | 250,590 |
| Total Principal | 579,083 | 251,169 | 377,975 | 368,226 | 315,000 | 1,720,000 | 2,075,000 | 2,540,000 | 570,000 | 8,796,453 |
| Interest | | | | | | | | | | |
| Capital Leases | | | | | | | | | | |
| General Obligation Bonds | | | | | | | | | | |
| Series 2012-A | 3,442 | - | - | - | - | - | - | - | - | 3,442 |
| Series 2012-B | 103,947 | 210,869 | 206,119 | 200,069 | 193,869 | 867,303 | 625,400 | 282,150 | 8,550 | 2,698,276 |
| School Bus | 1,949 | 1,326 | 677 | - | - | - | - | - | - | 3,952 |
| Apple Computers | - | 3,537 | 2,380 | 1,201 | - | - | - | - | - | 7,118 |
| Total Interest | 109,338 | 215,732 | 209,176 | 201,270 | 193,869 | 867,303 | 625,400 | 282,150 | 8,550 | 2,712,788 |
| Total Principal and Interest | \$688,421 | \$466,901 | \$ 587,151 | \$ 569,496 | \$ 508,869 | \$ 2,587,303 | \$2,700,400 | \$2,822,150 | \$ 578,550 | \$11,509,241 |

SUPPLEMENTAL INFORMATION

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

Summary Schedule of Expenditures - Actual and Budget (Budgeted Funds Only)
For the Fiscal Year Ended June 30, 2012

| Funds | Certified Budget | Adjustment to Comply with Legal Maximum | Adjustment for Qualifying Budget Credits | Total Budget for Comparison | Expenditures | | Variance - Favorable (Unfavorable) |
|--------------------------------|---------------------|---|--|-----------------------------------|--------------------------------------|--------|--|
| | | | | | Charged to Current Year Budget | Budget | |
| GOVERNMENTAL TYPE FUNDS | | | | | | | |
| General Fund | \$6,887,160 | - | \$274,939 | \$7,162,099 | \$7,162,099 | | - |
| Special Revenue Funds | | | | | | | |
| Supplemental General | 1,590,000 | - | - | 1,590,000 | 1,590,000 | | - |
| 4 Yr Old At Risk | 65,000 | - | - | 65,000 | 65,000 | | - |
| K - 12 At Risk | 1,150,000 | - | - | 1,150,000 | 1,150,000 | | - |
| Bilingual | 5,000 | - | - | 5,000 | - | | 5,000 |
| Capital Outlay | 1,577,171 | - | - | 1,577,171 | 592,572 | | 984,599 |
| Driver Education | 19,120 | - | - | 19,120 | 19,120 | | - |
| Food Service | 831,522 | - | - | 831,522 | 594,345 | | 237,177 |
| Professional Development | 18,663 | - | - | 18,663 | 12,101 | | 6,562 |
| Special Education | 1,396,564 | - | - | 1,396,564 | 1,256,278 | | 140,286 |
| Vocational Education | 260,000 | - | - | 260,000 | 260,000 | | - |
| KPERS Special Retirement | 691,181 | - | - | 691,181 | 663,509 | | 27,672 |
| Debt Service Funds | | | | | | | |
| Bond and Interest | 1,313 | - | - | 1,313 | - | | 1,313 |
| | <u>\$14,492,694</u> | | | | | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
GENERAL FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|----------------------------|--------------|-------------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Local Sources | | | |
| Ad valorem tax | \$401,018 | \$392,760 | \$8,258 |
| Delinquent tax | 19,861 | 6,222 | 13,639 |
| Motor vehicle tax | - | - | - |
| Other | 274,939 | - | 274,939 |
| State Sources | | | |
| General aid | 5,544,040 | 5,444,758 | 99,282 |
| Special ed aid | 919,032 | 938,714 | (19,682) |
| Federal Sources | | | |
| Education Jobs Fund | 3,209 | - | 3,209 |
| ARRA Stabilization | - | - | - |
| Total Cash Receipts | 7,162,100 | \$6,782,454 | \$379,646 |
| Expenditures | | | |
| Instruction | 2,939,824 | \$3,066,454 | \$126,630 |
| Support Services | | | |
| Student Support | 162,758 | 281,500 | 118,742 |
| Instructional Support | 173,479 | 260,000 | 86,521 |
| General Administration | 509,786 | 346,000 | (163,786) |
| School Administration | 520,706 | 512,500 | (8,206) |
| Operations and Maintenance | 1,114,898 | 942,500 | (172,398) |
| Other Support Services | - | - | - |
| Transportation | 164,144 | 158,500 | (5,644) |

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
GENERAL FUND**

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|---|--------------|-------------|--|
| | Actual | Budget | |
| Expenditures (Continued) | | | |
| Operating Transfers to | | | |
| 4 Yr Old At Risk | 6,371 | - | (\$6,371) |
| K-12 At Risk | 130,597 | - | (130,597) |
| Capital Outlay | 38,585 | - | (38,585) |
| Bilingual Education | - | 5,000 | 5,000 |
| Food Service | 121,650 | - | (121,650) |
| Special Education | 1,193,979 | 1,154,706 | (39,273) |
| Vocational Education | 75,305 | 135,000 | 59,695 |
| Drivers Education | 5,176 | - | (5,176) |
| Contingency Reserve | - | 25,000 | 25,000 |
| ESOL | 3,401 | - | (3,401) |
| Student Materials | - | - | - |
| Professional Development | 1,440 | - | (1,440) |
| Subtotal Expenditures | 7,162,099 | 6,887,160 | |
| Adjustments to Budget | | | |
| Adjustment to Comply with Legal Maximum Budget | - | - | - |
| Adjustment for Reimbursed Expenses | - | 274,939 | 274,939 |
| Total Expenditures Subject to Budget | 7,162,099 | \$7,162,099 | - |
| Receipts Over (Under) Expenditures | 0 | | |
| Unencumbered Cash, Beginning | - | | |
| Cancelled Prior Year Encumbrance | 62 | | |
| Unencumbered Cash, Ending | \$62 | | |

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
SUPPLEMENTAL GENERAL FUND**

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|------------------------------------|------------------|--------------------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Local Sources | | | |
| Ad Valorem | \$525,883 | \$506,037 | \$19,846 |
| Delinquent tax | 26,105 | 7,919 | 18,186 |
| Motor vehicle tax | 67,587 | 73,781 | (6,194) |
| State Sources | | | |
| Supplemental aid | 1,032,492 | 995,318 | 37,174 |
| Federal Sources | | | |
| ARRA Stabilization | - | - | - |
| Total Cash Receipts | <u>1,652,067</u> | <u>\$1,583,055</u> | <u>\$69,012</u> |
| Expenditures | | | |
| Instruction | 268,848 | \$115,000 | (\$153,848) |
| Support Services | | | |
| Student Support | - | - | - |
| General Administration | - | 2,500 | 2,500 |
| School Administration | - | - | - |
| Operations and Maintenance | - | - | - |
| Operating Transfers to Other Funds | | | |
| Food Service | - | 75,000 | 75,000 |
| Professional Development | 3,253 | 7,500 | 4,247 |
| K-12 At Risk | 1,019,403 | 1,150,000 | 130,597 |
| 4 yr old At Risk | 58,629 | 65,000 | 6,371 |
| Student Materials | - | 50,000 | 50,000 |
| Special Education | 65,116 | 125,000 | 59,884 |
| Vocational Education | 174,750 | - | (174,750) |
| Total Expenditures | <u>1,590,000</u> | <u>\$1,590,000</u> | <u>-</u> |
| Subject to Budget | | | |
| Receipts Over (Under) Expenditures | 62,067 | | |
| Unencumbered Cash, Beginning | <u>6,765</u> | | |
| Unencumbered Cash, Ending | <u>\$68,831</u> | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
4 YR OLD AT RISK FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|------------------------------------|--------------|----------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Operating Transfer from | | | |
| General Fund | \$6,371 | - | (\$6,371) |
| Supplemental General | 58,629 | 65,000 | (6,371) |
| Total Cash Receipts | 65,000 | \$65,000 | (\$12,742) |
| Expenditures | | | |
| Instruction | 65,000 | \$65,000 | - |
| Support Services | - | - | - |
| Total Expenditures | 65,000 | \$65,000 | - |
| Receipts Over (Under) Expenditures | - | | |
| Unencumbered Cash, Beginning | - | | |
| Unencumbered Cash, Ending | - | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
K -12 AT RISK FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|------------------------------------|--------------|-------------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Operating Transfer from: | | | |
| General Fund | \$130,597 | - | \$130,597 |
| Supplemental General Fund | 1,019,403 | 1,150,000 | |
| Total Cash Receipts | 1,150,000 | \$1,150,000 | \$130,597 |
| Expenditures | | | |
| Instruction | 1,149,499 | \$1,150,000 | \$501 |
| Support Services | - | - | - |
| Total Expenditures | 1,149,499 | \$1,150,000 | \$501 |
| Receipts Over (Under) Expenditures | 501 | | |
| Unencumbered Cash, Beginning | - | | |
| Unencumbered Cash, Ending | \$501 | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
BILINGUAL FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|---|--------------|---------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Operating transfer from General Fund | - | \$5,000 | (\$5,000) |
| Total Cash Receipts | - | \$5,000 | (\$5,000) |
| Expenditures | | | |
| Instruction | - | \$5,000 | \$5,000 |
| Support Services | - | - | - |
| Total Expenditures | - | \$5,000 | \$5,000 |
| Receipts Over (Under) Expenditures | - | | |
| Unencumbered Cash, Beginning | 503 | | |
| Unencumbered Cash, Ending | \$503 | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
CAPITAL OUTLAY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|-------------------------------------|--------------|-------------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Local Sources | | | |
| Ad valorem tax | - | - | - |
| Delinquent tax | 38 | - | 38 |
| Motor vehicle tax | - | - | - |
| Interest on idle funds | 4,247 | 85,000 | (80,753) |
| Other | 144,575 | 1,313 | 143,262 |
| Operating Transfer from Other Funds | | | |
| General | 38,585 | - | 38,585 |
| Total Cash Receipts | 187,445 | \$86,313 | \$101,132 |
| Expenditures | | | |
| Instruction | 117,771 | \$352,171 | \$234,400 |
| Support Services | | | |
| Operations & Maintenance | 284,576 | 575,000 | 290,424 |
| Transportation | - | - | - |
| Facility Acquisition and | | | |
| Construction Services | 190,225 | 650,000 | 459,775 |
| Total Expenditures | 592,572 | \$1,577,171 | \$984,599 |
| Receipts Over (Under) Expenditures | (405,126) | | |
| Unencumbered Cash, Beginning | 1,495,281 | | |
| Unencumbered Cash, Ending | \$1,090,154 | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
DRIVER EDUCATION FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|------------------------------------|--------------|----------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Local Sources | | | |
| Other | - | - | - |
| State Sources | | | |
| State aid | 5,922 | 3,700 | 2,222 |
| Operating Transfer from General | 5,176 | - | 5,176 |
| Total Cash Receipts | 11,098 | \$3,700 | \$7,398 |
| Expenditures | | | |
| Instruction | 19,120 | \$18,620 | (\$500) |
| Support Services | | | |
| Operations and Maintenance | - | 500 | 500 |
| Total Expenditures | 19,120 | \$19,120 | - |
| Receipts Over (Under) Expenditures | (8,022) | | |
| Unencumbered Cash, Beginning | 18,022 | | |
| Unencumbered Cash, Ending | \$10,000 | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
FOOD SERVICE FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|--|--------------|-----------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Local Sources | | | |
| Students | \$111,494 | \$139,803 | (\$28,309) |
| Adults | 12,250 | 8,755 | 3,495 |
| Other | 9,994 | - | 9,994 |
| State Sources | | | |
| Food service aid | 5,846 | 4,901 | 945 |
| Federal Sources | | | |
| Child nutrition aid | 360,101 | 340,853 | 19,248 |
| Operating Transfer from Other Funds | | | |
| General Fund | 121,650 | 75,000 | 46,650 |
| Supplemental General | - | - | - |
| Total Cash Receipts | 621,335 | \$569,312 | \$52,023 |
| Expenditures | | | |
| Support Services | | | |
| Operations and Maintenance | - | \$7,500 | \$7,500 |
| Operation and Non instructional Services | | | |
| Food Service Operations | 594,345 | 824,022 | 229,677 |
| Total Expenditures | 594,345 | \$831,522 | \$237,177 |
| Receipts Over (Under) Expenditures | 26,990 | | |
| Unencumbered Cash, Beginning | 262,211 | | |
| Unencumbered Cash, Ending | \$289,201 | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
PROFESSIONAL DEVELOPMENT FUND
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|------------------------------------|--------------|----------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Local Sources | | | |
| Other | - | - | - |
| State Sources | | | |
| Professional Development Aid | - | - | - |
| Operating Transfer from | | | |
| General | \$1,440 | - | \$1,440 |
| Supplemental General | 3,253 | 7,500 | (4,247) |
| Total Cash Receipts | 4,693 | \$7,500 | (\$2,807) |
| Expenditures | | | |
| Support Services | | | |
| Instructional Support Staff | 12,101 | \$18,663 | \$6,562 |
| Other Support Services | - | - | - |
| Total Expenditures | 12,101 | \$18,663 | \$6,562 |
| Receipts Over (Under) Expenditures | (7,408) | | |
| Unencumbered Cash, Beginning | 7,408 | | |
| Unencumbered Cash, Ending | - | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
SPECIAL EDUCATION FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|--------------------------------------|------------------|--------------------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Local Sources | | | |
| Other | \$625 | - | \$625 |
| State Sources | | | |
| Operating Transfers from Other Funds | | | |
| General | 1,193,979 | 1,050,000 | 143,979 |
| Supplemental General | 65,116 | 50,000 | 15,116 |
| Total Cash Receipts | <u>1,259,721</u> | <u>\$1,100,000</u> | <u>\$159,721</u> |
| Expenditures | | | |
| Instruction | 1,141,880 | \$1,284,064 | \$142,184 |
| Support Services | | | |
| Transportation | 114,398 | 112,500 | (1,898) |
| Total Expenditures | <u>1,256,278</u> | <u>\$1,396,564</u> | <u>\$140,286</u> |
| Receipts Over (Under) Expenditures | 3,443 | | |
| Unencumbered Cash, Beginning | <u>296,564</u> | | |
| Unencumbered Cash, Ending | <u>\$300,007</u> | | |

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
VOCATIONAL EDUCATION FUND**

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|------------------------------------|--------------|-----------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| Local Sources | | | |
| Other | \$823 | - | \$823 |
| Carl Perkins | 9,122 | - | \$9,122 |
| Operating Transfer from | | | |
| General Fund | 75,305 | 135,000 | (59,695) |
| Supplemental General | 174,750 | 125,000 | 49,750 |
| Total Cash Receipts | 260,000 | \$260,000 | - |
| Expenditures | | | |
| Instruction | 260,000 | \$260,000 | (\$0) |
| Total Expenditures | 260,000 | \$260,000 | (\$0) |
| Receipts Over (Under) Expenditures | - | | |
| Unencumbered Cash, Beginning | - | | |
| Unencumbered Cash, Ending | - | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
KPERS SPECIAL RETIREMENT FUND
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - Favorable (Unfavorable) |
|------------------------------------|--------------|-----------|--|
| | Actual | Budget | |
| Cash Receipts | | | |
| State Sources | | | |
| State Aid | \$663,509 | \$691,181 | (\$27,672) |
| Total Cash Receipts | 663,509 | \$691,181 | (\$27,672) |
| Expenditures | | | |
| KPERS Retirement Contribution | 663,509 | \$691,181 | \$27,672 |
| Total Expenditures | 663,509 | \$691,181 | \$27,672 |
| Receipts Over (Under) Expenditures | - | | |
| Unencumbered Cash, Beginning | - | | |
| Unencumbered Cash, Ending | - | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
CONTINGENCY RESERVE FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | Current Year Actual |
|---|---------------------------|
| Cash Receipts | |
| Operating Transfer from General Fund | - |
| Total Cash Receipts | - |
| Expenditures | |
| Instruction | - |
| Total Expenditures | - |
| Receipts Over (Under) Expenditures | - |
| Unencumbered Cash, Beginning | 600,001 |
| Unencumbered Cash, Ending | \$600,001 |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
STUDENT MATERIALS FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Current Year Actual</u> |
|------------------------------------|------------------------------------|
| Cash Receipts | |
| Local Sources | |
| Other | \$15,598 |
| Operating Transfer from: | |
| General Fund | - |
| Supplemental General Fund | - |
| Total Cash Receipts | <u>15,598</u> |
| Expenditures | |
| Instruction | <u>7,196</u> |
| Total Expenditures | <u>7,196</u> |
| Receipts Over (Under) Expenditures | 8,402 |
| Unencumbered Cash, Beginning | <u>215,925</u> |
| Unencumbered Cash, Ending | <u>\$224,327</u> |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
TITLE II FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Current Year Actual</u> |
|------------------------------------|------------------------------------|
| Cash Receipts | |
| Federal Sources | |
| Federal aid | <u>\$54,145</u> |
| Total Cash Receipts | <u>54,145</u> |
| Expenditures | |
| Instruction | 54,139 |
| General Administration | - |
| Operating transfer to : | |
| Title V | <u>-</u> |
| Total Expenditures | <u>54,139</u> |
| Receipts Over (Under) Expenditures | 6 |
| Unencumbered Cash, Beginning | <u>648</u> |
| Unencumbered Cash, Ending | <u><u>\$654</u></u> |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
TITLE I FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Current Year Actual</u> |
|------------------------------------|------------------------------------|
| Cash Receipts | |
| Federal Sources | |
| Federal aid | <u>\$301,837</u> |
| Total Cash Receipts | <u>301,837</u> |
| Expenditures | |
| Instruction | <u>301,832</u> |
| Total Expenditures | <u>301,832</u> |
| Receipts Over (Under) Expenditures | 5 |
| Unencumbered Cash, Beginning | <u>-</u> |
| Unencumbered Cash, Ending | <u><u>\$5</u></u> |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
ESOL FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Current Year Actual</u> |
|------------------------------------|------------------------------------|
| Cash Receipts | |
| Federal Sources | |
| Federal aid | - |
| Operating transfer from: | |
| General fund | <u>3,401</u> |
| Total Cash Receipts | <u>3,401</u> |
| Expenditures | |
| Instruction | <u>3,402</u> |
| Total Expenditures | <u>3,402</u> |
| Receipts Over (Under) Expenditures | (1) |
| Unencumbered Cash, Beginning | <u>1</u> |
| Unencumbered Cash, Ending | <u>-</u> |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
TITLE I ARRA FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | Current Year Actual |
|------------------------------------|---------------------------|
| Cash Receipts | |
| Federal Sources | |
| Federal aid | - |
| Total Cash Receipts | - |
| Expenditures | |
| Instruction | - |
| Total Expenditures | - |
| Receipts Over (Under) Expenditures | - |
| Unencumbered Cash, Beginning | 2,500 |
| Unencumbered Cash, Ending | \$2,500 |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
SCHOOL PREPAREDNESS GRANT
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | Current Year Actual |
|------------------------------------|---------------------------|
| Cash Receipts | |
| State Sources | |
| Grant | - |
| Total Cash Receipts | - |
| Expenditures | |
| Instruction | - |
| Total Expenditures | - |
| Receipts Over (Under) Expenditures | - |
| Unencumbered Cash, Beginning | 750 |
| Unencumbered Cash, Ending | \$750 |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
RURAL LOW INCOME SCHOOLS FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Current Year Actual</u> |
|------------------------------------|------------------------------------|
| Cash Receipts | |
| Federal Sources | |
| Federal aid | <u>\$24,415</u> |
| Total Cash Receipts | <u>24,415</u> |
| Expenditures | |
| Instruction | <u>24,415</u> |
| Total Expenditures | <u>24,415</u> |
| Receipts Over (Under) Expenditures | - |
| Unencumbered Cash, Beginning | <u>-</u> |
| Unencumbered Cash, Ending | <u>-</u> |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
EDUCATION FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | Current Year Actual |
|------------------------------------|---------------------------|
| Cash Receipts | |
| Local Sources | |
| Other | \$40 |
| Total Cash Receipts | 40 |
| Expenditures | |
| Instruction | - |
| Total Expenditures | - |
| Receipts Over (Under) Expenditures | 40 |
| Unencumbered Cash, Beginning | 6,925 |
| Unencumbered Cash, Ending | \$6,965 |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
BOND AND INTEREST FUND
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2012

| | Current Year | | Variance - |
|------------------------------------|--------------|---------|----------------------------|
| | Actual | Budget | Favorable (Unfavorable) |
| Cash Receipts | | | |
| Local Sources | | | |
| Ad valorem tax | - | - | - |
| Delinquent tax | - | - | - |
| Motor vehicle tax | - | - | - |
| State Sources | | | |
| State aid | - | - | - |
| Total Cash Receipts | - | - | - |
| Expenditures | | | |
| Debt Service | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Other | - | 1,313 | 1,313 |
| Total Expenditures | - | \$1,313 | \$1,313 |
| Receipts Over (Under) Expenditures | - | | |
| Unencumbered Cash, Beginning | 1,313 | | |
| Unencumbered Cash, Ending | \$1,313 | | |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
SPECIAL GRANTS FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Current Year Actual</u> |
|------------------------------------|------------------------------------|
| Cash Receipts | |
| Local Sources | |
| Other grants | \$4,671 |
| Other | - |
| | <u> </u> |
| Total Cash Receipts | <u>4,671</u> |
| Expenditures | |
| Scholarships | <u>3,208</u> |
| | <u> </u> |
| Total Expenditures | <u>3,208</u> |
| | <u> </u> |
| Receipts Over (Under) Expenditures | 1,463 |
| | <u> </u> |
| Unencumbered Cash, Beginning | <u>10,048</u> |
| | <u> </u> |
| Unencumbered Cash, Ending | <u><u>\$11,511</u></u> |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
ABERNATHY TRUST FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Current Year Actual</u> |
|------------------------------------|------------------------------------|
| Cash Receipts | |
| Local Sources | |
| Abernathy trust | \$1,025 |
| Other | <u>-</u> |
| Total Cash Receipts | <u>1,025</u> |
| Expenditures | |
| Grant Expenditures | <u>95,186</u> |
| Total Expenditures | <u>95,186</u> |
| Receipts Over (Under) Expenditures | (94,161) |
| Unencumbered Cash, Beginning | <u>152,336</u> |
| Unencumbered Cash, Ending | <u>\$58,175</u> |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
TAYLOR SCHOLARSHIP TRUST FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Current Year Actual</u> |
|------------------------------------|------------------------------------|
| Cash Receipts | |
| Local Sources | |
| Donations | - |
| Interest | <u>3,289</u> |
| Total Cash Receipts | <u>3,289</u> |
| Expenditures | |
| Scholarships | <u>2,850</u> |
| Total Expenditures | <u>2,850</u> |
| Receipts Over (Under) Expenditures | 439 |
| Unencumbered Cash, Beginning | <u>182,713</u> |
| Unencumbered Cash, Ending | <u>\$183,152</u> |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
HARTZELL SCHOLARSHIP TRUST FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | Current Year Actual |
|------------------------------------|---------------------------|
| Cash Receipts | |
| Local Sources | |
| Donations | - |
| Interest | 13 |
| Total Cash Receipts | 13 |
| Expenditures | |
| Scholarships | - |
| Total Expenditures | - |
| Receipts Over (Under) Expenditures | 13 |
| Unencumbered Cash, Beginning | 6,154 |
| Unencumbered Cash, Ending | \$6,167 |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
CAPITAL PROJECT FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Current Year Actual</u> |
|------------------------------------|------------------------------------|
| Cash Receipts | |
| Local Sources | |
| Bond Proceeds | \$500,000 |
| Interest | <u>\$10</u> |
| Total Cash Receipts | <u>500,010</u> |
| Expenditures | |
| Bond Issue Costs | <u>2,500</u> |
| Total Expenditures | <u>2,500</u> |
| Receipts Over (Under) Expenditures | 497,510 |
| Unencumbered Cash, Beginning | <u>-</u> |
| Unencumbered Cash, Ending | <u><u>\$497,510</u></u> |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
AGENCY FUNDS

Summary Schedule of Cash Receipts and Cash Disbursements
For the Fiscal Year Ended June 30, 2012

| | Beginning Cash Balances | Cash Receipts | Cash Disbursements | Ending Cash Balances |
|-----------------------|-------------------------------|------------------|-----------------------|----------------------------|
| Agency Funds | | | | |
| Student Organizations | | | | |
| High School | \$20,109 | \$102,499 | \$103,517 | \$19,091 |
| Elementary Schools | 4,598 | 58,948 | 58,484 | 5,062 |
| Middle School | 2,277 | 15,523 | 9,463 | 8,337 |
| Totals | <u>\$26,985</u> | <u>\$176,970</u> | <u>\$171,464</u> | <u>\$32,490</u> |

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
DISTRICT ACTIVITY FUNDS**

Summary Schedule of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2012

| Funds | Beginning Unencumbered Cash Balances | Cash Receipts | Expenditures | Ending Unencumbered Cash Balances | Plus Encumbrances and Accounts Payable | Cash Balances June 30, 2012 |
|------------------------|--|------------------|--------------|---|--|-----------------------------------|
| Gate Receipts | | | | | | |
| Middle School Activity | \$2,452 | \$45,307 | \$42,495 | \$5,263 | - | \$5,263 |
| High School Activity | 11,506 | 73,250 | 79,368 | 5,388 | - | 5,388 |
| Total Gate Receipts | 13,958 | 118,556 | 121,863 | 10,651 | - | 10,651 |
| Totals | \$13,958 | \$118,556 | \$121,863 | \$10,651 | - | \$10,651 |

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
HIGH SCHOOL ACTIVITY FUND**

Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Fiscal Year Ended June 30, 2012

| | Beginning Cash Balances | Cash Receipts and Transfers | Cash Disbursements and Transfers | Ending Cash Balances |
|---|-------------------------------|-----------------------------------|--|----------------------------|
| <u>Student Activity Funds</u> | | | | |
| Student Organizations | | | | |
| BIAM | \$61.36 | - | \$50.00 | \$11.36 |
| Business Club | 168.71 | - | 168.71 | - |
| Cheerleaders | 692.30 | 8,678.10 | 7,929.16 | 1,441.24 |
| Class of 2012 | 1,327.64 | 46,003.65 | 47,331.29 | - |
| Class of 2013 | 1,295.77 | 4,861.07 | 5,160.31 | 996.53 |
| Class of 2014 | - | 1,235.00 | 754.92 | 480.08 |
| Dance Team | - | 191.75 | 180.91 | 10.84 |
| FCA | 113.43 | 220.00 | 183.12 | 150.31 |
| FCCLA | 338.05 | - | 146.00 | 192.05 |
| Foreign Language Club | 206.70 | 749.00 | 675.00 | 280.70 |
| Green Fund | 141.13 | 502.00 | 40.61 | 602.52 |
| Miscellaneous | - | 20.00 | 20.00 | - |
| Patron Banners | 914.92 | 7,714.50 | 2,934.74 | 5,694.68 |
| Science Club | 582.92 | 346.75 | 275.86 | 653.81 |
| Student Council | 494.60 | 8,652.38 | 8,936.03 | 210.95 |
| Thespians | 18.36 | - | - | 18.36 |
| Lionbackers | 3,415.06 | 1,377.00 | 2,535.31 | 2,256.75 |
| Annual | 1,000.00 | 640.00 | 640.00 | 1,000.00 |
| Band | 4,249.10 | 8,452.00 | 12,495.33 | 205.77 |
| Band & VM Trip Account | - | 7,633.43 | 6,277.27 | 1,356.16 |
| Vocal Music | 3,512.31 | 4,214.00 | 5,232.88 | 2,493.43 |
| Scholars bowl | 1,120.63 | 960.00 | 1,371.50 | 709.13 |
| Interest | 456.17 | 47.95 | 178.01 | 326.11 |
| Totals - Cash Basis | 20,109.16 | 102,498.58 | 103,516.96 | 19,090.78 |
| <u>District Activity Funds</u> | | | | |
| Gate Receipts | | | | |
| Athletics | 5,504.18 | 18,541.31 | 21,846.16 | 2,199.33 |
| Stage | 6,002.09 | 6,778.00 | 9,591.19 | 3,188.90 |
| Fees and User Charges | | | | |
| Book rental | - | 872.00 | 872.00 | - |
| Food service | - | 31,622.74 | 31,622.74 | - |
| Industrial Arts | - | 7,180.11 | 7,180.11 | - |
| Library | - | 232.99 | 232.99 | - |
| Technology | - | 8,022.49 | 8,022.49 | - |
| Total - Cash Basis | 11,506.27 | 73,249.64 | 79,367.68 | 5,388.23 |
| GRAND TOTALS (MEMORANDUM ONLY) | \$31,615.43 | \$175,748.22 | \$182,884.64 | \$24,479.01 |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
MIDDLE SCHOOL SCHOOL ACTIVITY FUND
Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Fiscal Year Ended June 30, 2012

| | Beginning Cash Balances | Cash Receipts and Transfers | Cash Disbursements and Transfers | Ending Cash Balances |
|---------------------------------------|-------------------------------|-----------------------------------|--|----------------------------|
| <u>Student Activity Funds</u> | | | | |
| Student Organizations | | | | |
| Concessions | \$1,134.81 | \$10,150.76 | \$5,512.79 | \$5,772.78 |
| Interest | 21.90 | 10.78 | - | 32.68 |
| Lost & Damaged items | 32.00 | 306.26 | 338.26 | - |
| AAA Club | 84.98 | - | 84.98 | - |
| Cheer | - | 1,565.05 | 715.63 | 849.42 |
| Year Book | 373.75 | 1,410.00 | 1,236.56 | 547.19 |
| Student Council | 629.96 | 2,080.17 | 1,574.82 | 1,135.31 |
| Totals - Cash Basis | <u>2,277.40</u> | <u>15,523.02</u> | <u>9,463.04</u> | <u>8,337.38</u> |
| <u>District Activity Funds</u> | | | | |
| Gate Receipts | | | | |
| Athletics | 2,451.72 | 8,451.68 | 5,640.34 | 5,263.06 |
| Fees and User Charges | | | | |
| Food service | - | 36,575.13 | 36,575.13 | - |
| Book rental | - | 280.00 | 280.00 | - |
| Totals - Cash Basis | <u>2,451.72</u> | <u>45,306.81</u> | <u>42,495.47</u> | <u>5,263.06</u> |
| GRAND TOTALS (MEMORANDUM ONLY) | <u>\$4,729.12</u> | <u>\$60,829.83</u> | <u>\$51,958.51</u> | <u>\$13,600.44</u> |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
LINCOLN ELEMENTARY SCHOOL ACTIVITY FUND
Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Fiscal Year Ended June 30, 2012

| | Beginning Cash Balances | Cash Receipts and Transfers | Cash Disbursements and Transfers | Ending Cash Balances |
|--------------------------------|-------------------------------|-----------------------------------|--|----------------------------|
| <u>Student Activity Funds</u> | | | | |
| Fees and User Charges | | | | |
| Library fund | - | \$241.84 | \$16.02 | \$225.82 |
| Lost library books | - | 90.00 | 90.00 | - |
| ATEC | - | 500.00 | - | 500.00 |
| Misc | 2,724.90 | 232.88 | 540.62 | 2,417.16 |
| | | | | |
| Totals - Cash Basis | 2,724.90 | 1,064.72 | 646.64 | 3,142.98 |
| | | | | |
| <u>District Activity Funds</u> | | | | |
| Food Service | - | 24,628.77 | 24,628.77 | - |
| Book Rental | - | 200.00 | 200.00 | - |
| | | | | |
| Totals - Cash Basis | - | 24,828.77 | 24,828.77 | - |
| GRAND TOTALS | | | | |
| (MEMORANDUM ONLY) | \$2,724.90 | \$25,893.49 | \$25,475.41 | \$3,142.98 |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
CENTRAL ELEMENTARY SCHOOL ACTIVITY FUND
Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Fiscal Year Ended June 30, 2012

| | Beginning Cash Balances | Cash Receipts and Transfers | Cash Disbursements and Transfers | Ending Cash Balances |
|--------------------------------|-------------------------------|-----------------------------------|--|----------------------------|
| <u>Student Activity Funds</u> | | | | |
| Fees and User Charges | | | | |
| Staff | \$675.45 | \$1,165.95 | \$972.42 | \$868.98 |
| Allen/Reddy memorial | 165.00 | 481.00 | 161.82 | 484.18 |
| Lost damaged items | - | 110.00 | 110.00 | - |
| Winter coat donation | - | 500.00 | 492.13 | 7.87 |
| Interest earned | 16.97 | 2.72 | - | 19.69 |
| Library book fair | 483.68 | 1.17 | 315.82 | 169.03 |
| HOSTS book | 532.28 | 25.00 | 187.77 | 369.51 |
| | | | | |
| Totals - Cash Basis | 1,873.38 | 2,285.84 | 2,239.96 | 1,919.26 |
| <u>District Activity Funds</u> | | | | |
| Food Service | - | 30,598.57 | 30,598.57 | - |
| Book Rental | - | 170.00 | 170.00 | - |
| | | | | |
| Totals - Cash Basis | - | 30,768.57 | 30,768.57 | - |
| GRAND TOTALS | | | | |
| (MEMORANDUM ONLY) | \$1,873.38 | \$33,054.41 | \$33,008.53 | \$1,919.26 |

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

| FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM TITLE | FEDERAL CFDA NUMBER | AMOUNT RECEIVED | AMOUNT EXPENDED |
|--|---------------------------|--------------------|--------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Passed Through the State of Kansas | | | |
| Department of Education: | | | |
| School Breakfast Program | 10.553 | \$ 78,312 | \$ 78,312 |
| National School Lunch Program | 10.555 | 281,789 | 281,789 |
| | | <u>360,101</u> | <u>360,101</u> |
| <u>U.S. Department of Education</u> | | | |
| Passed Through the State of Kansas | | | |
| Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 301,837 | 301,832 |
| Title II - Improving Teacher Quality | 84.367 | 54,145 | 54,139 |
| Rural Low Income Schools | 84.358 | 24,415 | 24,415 |
| Education Jobs Fund | 84.410 | 3,209 | 3,209 |
| | | <u>383,606</u> | <u>383,595</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Passed Through the State of Kansas | | | |
| Department of Education: | | | |
| Youth Risk Behavior Survey | 93.938 | 400 | 400 |
| TOTALS | | <u>\$ 744,107</u> | <u>\$ 744,096</u> |

Diehl Banwart Bolton

Certified Public Accountants P.A.

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

Board of Education
Baxter Springs Unified School District #508
Baxter Springs, Kansas 66713

Compliance

We have audited the compliance of Baxter Springs Unified School District #508, Baxter Springs, Kansas, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the compliance of the District based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Unified School District #508 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Unified School District #508 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and it is not intended to be and should not be used by anyone other than these specified parties.

Diehl Banwart Bolton CPA's PA

DIEHL, BANWART, BOLTON, CPAs PA

January 25, 2013
Pittsburg, Kansas

Diehl Banwart Bolton

Certified Public Accountants P.A.

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

Board of Education
Baxter Springs Unified School District #508
Baxter Springs, Kansas 66713

We have audited the financial statements of Unified School District #508, Baxter Springs, Kansas, as of the year ended June 30, 2012, and have issued our report thereon dated January 25, 2013. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2012-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance.

Compliance and Other Matters

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

The District's response to the findings identified in our audit is described in the Corrective Action Plan. We did not audit the District's response and accordingly, we express no opinion on it.

We noted certain matters that we reported to Management of the District in a separate letter dated January 25, 2013.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Siehl Banwart Bolton CPA's PA".

DIEHL, BANWART, BOLTON, CPAs PA

January 25, 2013
Pittsburg, Kansas

BAXTER SPRINGS UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENT:

Type of auditors' report issued:

- Adverse for departures from accounting principles generally accepted in the United States of America due to preparation of financial statements in accordance with the statutory basis of accounting.
- Unqualified opinion on the statutory basis financial statement.

Internal control over financial reporting:

- Significant deficiencies identified? X YES NO
- Significant deficiencies identified that
are not considered to be material weaknesses? NONE
 YES X REPORTED

Noncompliance material to financial statements noted? YES X NO

FEDERAL AWARDS:

Internal control over major programs:

- Significant deficiencies identified? YES X NO
- Significant deficiencies identified that
are not considered to be material weaknesses? NONE
 YES X REPORTED

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

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of Circular A-133? YES X NO

IDENTIFICATION OF MAJOR PROGRAMS:

| <u>CFDA #</u> | <u>NAME OF PROGRAM</u> |
|-----------------|-------------------------|
| 10.553 & 10.555 | Child Nutrition Cluster |
| 84.010 | Title I |

Auditee qualified as low-risk auditee? YES X NO

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2012-1 Drafting Financial Statements

Condition: As auditors, we provide significant assistance with adjusting entries, as well as determining which disclosures are required under generally accepted accounting standards and the statutory basis of accounting.

Criteria: Internal controls should be in place that provide a reasonable assurance that the financial statements are appropriate in form and contain the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they can not be considered part of the District's internal control.

Effect: The District relies on independent auditors to determine the financial statements are in the correct form and include the proper disclosures.

Recommendation: None

Response: The District agrees with the finding. The District's response is in the attached Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

BAXTER SPRINGS SCHOOLS USD NO. 508

1520 CLEVELAND AVENUE
BAXTER SPRINGS, KS 66713

PH: (620) 856-2375
FAX: (620) 856-3943

DENNIS BURKE, Superintendent
VICKI BRADLEY, Clerk of the Board

JO ANN THOMASSON, Supt. Secretary
JACKIE HALL, Board Secretary

UNIFIED SCHOOL DISTRICT #508 (USD #508)

June 30, 2012 Financial Statements

Corrective Action Plan

Audit Finding 2012-1

USD #508 has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under generally accepted accounting principles and the statutory basis of accounting. While USD #508 understands that this is a significant deficiency in our internal controls, we believe it is the most cost effective manner for us to produce our financial statements. Our accounting staff concentrate on providing the reports needed for management purposes and preparing the required reports for the Kansas Department of Education. We believe it would be inefficient and cost prohibitive for our staff to attempt to stay current on all the requirements of GAAP and the statutory basis of accounting. We do not plan on making any changes at this time. However, we will monitor this situation and periodically determine if it is cost effective for us to perform these functions.