UNIFIED SCHOOL DISTRICT NO. 223

BARNES, KANSAS

REPORT ON AUDIT

SPECIAL FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

Bruna Auditing Services LLC

Derek Bruna, CPA

201 "C" Street

Washington, Kansas 66968

785-325-2061

UNIFIED SCHOOL DISTRICT NO. 223

BARNES, KANSAS

REPORT ON AUDIT

SPECIAL FINANCIAL STATEMENTS

JUNE 30, 2013

BRUNA AUDITING SERVICES LLC
DEREK BRUNA
CERTIFIED PUBLIC ACCOUNTANT
WASHINGTON, KANSAS

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

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UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

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BAS LLC
Bruna Auditing Services LLC

Derek Bruna, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Unified School District No. 223
Barnes, Kansas 66933

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 223, as of and for the year ended June 30, 2013 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note A to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As described in Note A of the financial statement, the financial statement is prepared by the Unified School District No. 223 to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above 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 No. 223" as of June 30, 2013, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting
In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Unified School District No. 223 as of June 30, 2013, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note A.

Report on Supplementary Information
My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

Bruna Auditing Services LLC

Derek Bruna CPA

Derek Bruna, CPA

Washington, Kansas

November 11, 2013

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
Regulatory Basis
For The Year Ended June 30, 2013

STATEMENT 1

Fund	Statement Number	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances & A/P	Ending Cash Balance
Governmental Type Funds								
General Fund	3-1	$ 0	$ 0	$ 3,035,807	$ 3,035,807	$ 0	$ 0	$ 0
Supplemental General	3-2	90,225	0	1,007,531	1,034,216	63,540	0	63,540
Special Revenue								0
At Risk-(K 12) Fund	3-3	0	0	150,000	150,000	0	0	0
Bilingual Education	3-4	0	0	22,120	22,120	0	0	0
Capital Outlay Fund	3-5	468,775	0	160,992	145,660	484,107	0	484,107
Driver Training	3-6	27,039	0	6,427	7,193	26,273	0	26,273
Food Service Fund	3-7	73,142	0	233,420	233,946	72,616	0	72,616
Professional Development Fund	3-8	43,854	0	10,023	12,297	41,580	0	41,580
Parent as Teachers	3-9	10,446	0	9,000	9,002	10,444	0	10,444
Special Education Fund	3-10	134,956	0	685,188	664,322	155,822	0	155,822
Vocational Education Fund	3-11	0	0	186,926	186,926	0	0	0
Gifts and Grants Fund	3-12	14,823	0	10,054	9,464	15,413	0	15,413
Interest	3-13	0	0	11,946	11,946	0	0	0
Title I Fund-Migrant	3-14	0	0	35,000	35,000	0	0	0
Title I Fund-Current	3-15	0	0	59,093	59,093	0	0	0
Title I-Carryover	3-16	0	0	1,290	1,290	0	0	0
Title II A-Teacher Quality Fund	3-17	0	0	14,837	14,837	0	0	0
KPERS Retirement Fund	3-18	0	0	223,357	223,357	0	0	0
Contingency Reserve Fund	3-19	173,266	0	0	0	173,266	0	173,266
Textbook Rental Fund	3-20	53,399	0	40,701	40,284	53,816	0	53,816
Small Rural School Fund	3-21	0	0	23,166	23,166	0	0	0
Debt Service Funds								0
Bond and Interst Fund	3-22	344,358	0	309,914	198,425	455,847	0	455,847
		$ 1,434,283	$ 0	$ 6,236,792	$ 6,118,351	$ 1,552,724	$ 0	$ 1,552,724

Composition of Cash	
Checking Account	$ 1,352,724
Certificate of Deposit	200,000
Total Excluding Fiduciary, & Agency Funds	1,552,724

District Activity/Agency Funds								
Hanover Activity Funds	5	$ 39,800	$ 0	$ 205,368	$ 211,895	$ 33,273	$ 0	$ 33,273
Linn Activiity Funds	6	62,860	0	178,431	178,711	62,580	0	62,580
Total District Activity/Agency Funds		102,660	0	383,799	390,606	95,853	0	95,853
Total Reporting Entity								1,648,577

See Accountant's Report and Accompanying Notes

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2013

STATEMENT 2

Fund	Statement Number	Certified Budget	Adjustments To Comply With Legal Max	Adjustments For Qualifying Budget Credits	Total Budget For Comparison	Expenditures Chargeable To Current Year	Variance Over (Under)
Government Type Funds							
General Fund	3-1	$ 3,072,703	$ (36,896)	$ 0	$ 3,035,807	$ 3,035,807	$ 0
Supplemental General	3-2	1,041,533	(11,848)	0	1,029,685	1,034,216	4,531
Special Revenue Funds							
At Risk (K-12)	3-3	170,000	0	0	170,000	150,000	(20,000)
Bilingual Education	3-4	25,500	0	0	25,500	22,120	(3,380)
Capital Outlay	3-5	400,000	0	0	400,000	145,660	(254,340)
Driver Training	3-6	25,650	0	0	25,650	7,193	(18,457)
Food Service	3-7	247,500	0	0	247,500	233,946	(13,554)
Professional Development	3-8	12,300	0	0	12,300	12,297	(3)
Parent as Teachers	3-9	10,600	0	0	10,600	9,002	(1,598)
Special Education	3-10	712,050	0	0	712,050	664,322	(47,728)
Vocational Education	3-11	180,000	0	0	180,000	186,926	6,926
Gifts and Grants Fund	3-12	15,000	0	0	15,000	9,464	(5,536)
KPERS	3-18	241,969	0	0	241,969	223,357	(18,612)
Debt Service Funds							
Bond And Interest		198,425	0	0	198,425	198,425	0
TOTALS		$ 6,353,230	$ 0	$ 0	$ 6,304,486	$ 5,932,735	$ (371,751)

See Accountant's Report and Accompanying Notes

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2013
(With Comparative Actual Totals for Prior Year Ended June 30, 2012)

STATEMENT 3-1

GENERAL FUND

	Prior Year Statutory Transactions	Current Year Statutory Transactions	Current Year Budget	Current Year Variance Over (Under)
Statutory Revenues				
Taxes in Process	$ 12,483	$ 9,865	$ 943	$ 8,922
Current Tax	497,375	549,161	530,790	18,371
Delinquent Tax	2,407	1,828	6,438	(4,610)
State Equilization Aid	1,922,345	1,986,626	2,037,298	(50,672)
Special Education Aid	466,810	488,327	497,234	(8,907)
Ed Jobs Fund	1,242	0	0	0
Reimbursements	22,870	0	0	0
Total Statutory Revenues	2,925,532	3,035,807	3,072,703	(45,818)
Expenditures				
Instruction				
Salaries	1,301,710	1,321,608	1,383,453	(61,845)
Employee Benefits	323,088	350,203	366,000	(15,797)
Other Purchased Services	4,912	0	8,000	(8,000)
Supplies	45,108	0	1,200	(1,200)
Property	0	0	3,500	(3,500)
Other	0	0	18,000	(18,000)
Total Instruction	1,674,818	1,671,811	1,780,153	(108,342)
Student Support Services				
Salaries	78,027	79,981	85,000	(5,019)
Employee Benefits	17,479	18,750	17,480	1,270
Supplies	0		500	(500)
Total Student Support	95,506	98,731	102,980	(4,249)
Instructional Support Staff				
Salaries	35,399	54,808	36,200	18,608
Employee Benefits	18,715	19,035	7,750	11,285
Total Instructional Support	54,114	73,843	43,950	29,893
General Administration				
Salaries	34,122	60,369	35,000	25,369
Employee Benefits	20,037	22,844	21,550	1,294
Purchased Prof & Tech Services	5,468	8,568	4,900	3,668
Supplies	2,180	4,688	0	4,688
Other	21,162	40,079	13,500	26,579
Total General Administration	82,969	136,548	74,950	61,598
School Adminstration				
Salaries	41,283	38,122	38,000	122
Other	0	16,082	4,000	12,082
Employee Benefits	27,720	58,460	26,700	31,760
Total School Administration	69,003	112,664	68,700	43,964
Operations and Maintenance				
Salaries	0	0	0	0
Employee Benefits	31,273	0	34,250	(34,250)
Other Purchases	26,687	31,717	44,000	(12,283)
District Insurance	25,829	0	0	0
Utilities	5,371	15,172	0	15,172
Total Operations and Maintenance	89,160	46,889	78,250	(31,361)

See Accountant's Report and Accompanying Notes

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2013
(With Comparative Actual Totals for Prior Year Ended June 30, 2012)

STATEMENT 3-1 (cont.)

	GENERAL FUND	Current Year		
	Prior Year Statutory Transactions	Statutory Transactions	Budget	Variance Over (Under)
Student Transportation				
Salaries	$ 0	$ 0	$ 0	$ 0
Employee Benefits	1,196	7,608	1,550	6,058
Vehicle Operating Services				
Salaries	0	0	0	0
Employee Benefits	5,035	0	5,300	(5,300)
Vehicle Services & Maintenance				
Other Purchased Services	0	0	0	0
Other	0	0	0	0
Total Student Transportation Services	6,231	7,608	6,850	758
Other Supplemental Services				
Salaries	21,385	0	22,000	(22,000)
Employee Benefits	1,585	0	1,870	(1,870)
Other	0	0	1,500	(1,500)
Supplies	0	0	2,500	(2,500)
Total Other Supplemental Services	22,970	0	27,870	(27,870)
ARRA Stabilization				
Salaries	0	0	0	0
Employee Benefits	0	0	0	0
Total ARRA Stabilization	0	0	0	0
Ed Jobs				
Salaries	1,242	0	0	0
Total Ed Jobs	1,242	0	0	0
Operating Transfers				
Bilingual Education	6,270	18,000	13,000	5,000
Special Education	516,249	560,213	540,000	20,213
Vocational Education	160,000	180,000	180,000	0
Capital Outlay	0	0	1,000	(1,000)
Food Service	0	0	1,000	(1,000)
Parent Education	0	0	1,000	(1,000)
Contingency Reserve	0	0	1,000	(1,000)
Driver Training	0	0	1,000	(1,000)
Professional Development	7,000	10,000	1,000	9,000
At Risk (K-12)	140,000	150,000	150,000	0
Total Operating Transfers	829,519	918,213	889,000	29,213
Adjustment For Legal Max			(36,896)	36,896
Adjustment For Reimbursements		(30,500)		(30,500)
Total Expenditures	2,925,532	3,035,807	3,035,807	0
Statutory Revenues (Under) Expenditures	0	0		
Modified Unencumbered Cash - Beginning	0	0		
Prior Year Cancelled Encumbrances	0	0		
Modified Unencumbered Cash - Ending	0	0		

See Accountant's Report and Accompanying Notes

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2013
(With Comparative Actual Totals for Prior Year Ended June 30, 2012)

STATEMENT 3-2

SUPPLEMENTAL GENERAL FUND

		Current Year		
	Prior Year Statutory Transactions	Statutory Transactions	Budget	Variance Over (Under)
Statutory Revenues				
Ad Volorem Tax	$ 19,058	$ 15,024	$ 5,217	$ 9,807
Ad Volorem In Process	639,620	668,291	0	668,291
Delinquent Tax	4,150	3,472	8,325	(4,853)
Miscellaneous	3,457	4,073	0	4,073
16/20 Trucks	10,776	11,765	0	11,765
Recreational Vehicle Tax	546	511	544	(33)
Motor Vehicle Tax	63,346	64,620	73,729	(9,109)
State Aid	220,212	239,317	245,135	(5,818)
Misc	0	458	0	458
Total Statutory Revenues	961,165	1,007,531	332,950	674,581
Expenditures				
Instruction				
Salaries	85,200	0	0	0
Internet/Technology	59,587	64,259	0	64,259
Other	0	0	20,000	(20,000)
Property	0	0	30,000	(30,000)
Supplies/Athletics	59,381	69,677	85,000	(15,323)
Total Instruction	204,168	133,936	135,000	(1,064)
School Administration				
Salaries	142,900	231,700	231,700	0
Total School Administration	142,900	231,700	231,700	0
Operations and Maintenance				
Utilities/Phone	85,146	96,754	100,000	(3,246)
Dist Office and Copy	27,804	34,170	0	34,170
Property	0		8,000	(8,000)
Salaries	114,042	193,884	125,000	68,884
Repairs/Supplies	72,436	71,943	70,500	1,443
Total Operations and Maintenance	299,428	396,751	303,500	93,251
Student Transportation				
Salaries	82,437	0	85,800	(85,800)
Other Transportation	64,343	67,470	71,700	(4,230)
Fuel	61,897	72,906	72,000	906
Total Student Transportation	208,677	140,376	229,500	(89,124)
Transfers				
Bilingual	10,000	4,120	12,500	(8,380)
Proffessional Development	0	0	1,000	(1,000)
Food Service	0	0	1,000	(1,000)
Special Education	66,143	118,333	118,333	0
Parents Ed	9,000	9,000	9,000	0
Total Transfers	85,143	131,453	141,833	(10,380)
Adjustment For Legal Max			(11,848)	11,848
Total Expenditures	940,316	1,034,216	1,029,685	4,531
Statutory Revenues Over (Under) Expenditures	20,849	(26,685)		
Modified Unencumbered Cash - Beginning	69,376	90,225		
Prior Year Cancelled Encumbrances	0	0		
Modified Unencumbered Cash - Ending	$ 90,225	$ 63,540		

See Accountant's Report and Accompanying Notes

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2013
(With Comparative Actual Totals for Prior Year Ended June 30, 2012)

STATEMENT 3-3

SPECIAL REVENUE FUNDS

AT RISK (K-12) FUND

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Miscellaneous	$ 0	$ 0	$ 20,000	$ (20,000)
Transfer from General	140,000	150,000	150,000	0
Total Cash Receipts	140,000	150,000	170,000	(20,000)
Expenditures				
Instruction				
Salaries	128,824	137,561	138,588	(1,027)
Employee Benefits	10,676	12,064	11,412	652
Supplies - Technology	500	375	20,000	(19,625)
Miscellaneous	0	0	0	0
Transportation	0	0	0	0
Salaries	0	0	0	0
Employee Benefits	0	0	0	0
Total Expenditures	140,000	150,000	170,000	(20,000)
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash - Beginning	0	0		
Unencumbered Cash - Ending	0	0		

See Accountant's Report and Accompanying Notes

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2013
(With Comparative Actual Totals for Prior Year Ended June 30, 2012)

STATEMENT 3-4

SPECIAL REVENUE FUNDS

BILINGUAL EDUCATION

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Transfer from Interest	$ 0	$	$ 0	$ 0
Transfer from General	6,270	18,000	13,000	5,000
Transfer from Supp General	10,000	4,120	12,500	(8,380)
Total Cash Receipts	16,270	22,120	25,500	(3,380)
Expenditures				
Instruction				
Salary	11,498	18,211	21,000	(2,789)
Employee Benefits	4,772	3,909	4,300	(391)
Supplies	0	0	200	(200)
Total Expenditures	16,270	22,120	25,500	(3,380)
Receipts Over (Under) Expenditures	$ 0	0		
Unencumbered Cash - Beginning	0	0		
Unencumbered Cash - Ending	0	0		

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2013
(With Comparative Actual Totals for Prior Year Ended June 30, 2012)

STATEMENT 3-5

SPECIAL REVENUE FUNDS

CAPITAL OUTLAY

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Ad Volorem Tax	$ 3,131	$ 2,537	$ 1,231	$ 1,306
Ad Volorem In Process	108,028	118,664	122,688	(4,024)
Delinquent Tax	667	577	2,115	(1,538)
Motor Vehicle Tax	10,423	10,705	18,354	(7,649)
Rec Vehicle Tax	90	85	135	(50)
16/20 Trucks	1,763	1,933	0	1,933
Interest on Idle Funds	12,015	0	0	0
Misc Receipts	10,752	26,491	0	26,491
Transfer from General	0	0	1,000	(1,000)
Reimbursement	0	0	0	0
Total Cash Receipts	146,869	160,992	145,523	15,469
Expenditures				
Instruction				
Property	40,455	29,197	100,000	(70,803)
General Administration				
Property	0	0	50,000	(50,000)
Transportation				
Property	69,103	90,420	150,000	(59,580)
Facility acq & construction				
Site Acquisition	0	0	0	0
Site Improvement	0	0	0	0
Architectual Services	0	0	0	0
Building Additions	0	0	0	0
New Building	0	0	0	0
Repair and Remodel	34,086	26,043	100,000	(73,957)
Other	0	0	0	0
Total Expenditures	143,644	145,660	400,000	(254,340)
Receipts Over (Under) Expenditures	3,225	15,332		
Unencumbered Cash - Beginning	465,550	468,775		
Unencumbered Cash - Ending	$ 468,775	484,107		

See Accountant's Report and Accompanying Notes

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2013
(With Comparative Actual Totals for Prior Year Ended June 30, 2012)

STATEMENT 3-6

SPECIAL REVENUE FUNDS

DRIVER TRAINING

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
State Aid	$ 2,632	$ 3,627	$ 3,510	$ 117
Reimbursements	3,900	2,800	0	2,800
Miscellaneous	0		4,000	(4,000)
Operating Transfers	0		1,000	(1,000)
Total Cash Receipts	6,532	6,427	8,510	(2,083)
Expenditures				
Instruction				
Salaries	5,739	5,199	6,000	(801)
Employee Benefits	444	403	650	(247)
Supplies	462	0	2,000	(2,000)
Vehicle Operating & Maintenance				
Repairs	246	427		427
Fuel	592	1,149	1,000	149
Property (Equip & Furn)	12,004	15	15,500	(15,485)
Other	210	0	500	(500)
Total Expenditures	19,697	7,193	25,650	(18,457)
Receipts Over (Under) Expenditures	(13,165)	(766)		
Unencumbered Cash - Beginning	40,204	27,039		
Unencumbered Cash - Ending	27,039	26,273		

See Accountant's Report and Accompanying Notes

UNIFIED SCHOOL DISTRICT NO. 223
Barnes, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
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(With Comparative Actual Totals for Prior Year Ended June 30, 2012)

STATEMENT 3-7

SPECIAL REVENUE FUNDS

FOOD SERVICE FUND

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Federal Aid	$ 97,350	$ 98,524	$ 97,221	$ 1,303
State Aid	2,088	2,112	2,105	7
Meals	128,884	121,481	129,384	(7,903)
Interest	0	11,240	15,000	(3,760)
Reimbursements	0	0	0	0
Miscellaneous	163	63	0	63
Transfer	0	0	2,000	(2,000)
Total Cash Receipts	228,485	233,420	245,710	(12,290)
Expenditures				
Operations & Maintenance				
Salaries	73,348	68,463	70,000	(1,537)
Employee Benefits	11,230	7,470	12,800	(5,330)
Food Service Operations				
Management	6,302	7,120	7,200	(80)
Food Costs	118,304	132,128	135,000	(2,872)
Non-food	6,452	7,532	10,000	(2,468)
Property	5,458	8,359	10,000	(1,641)
Repairs & Other	1,536	2,874	2,500	374
Total Expenditures	222,630	233,946	247,500	(13,554)
Receipts Over (Under) Expenditures	5,855	(526)		
Unencumbered Cash - Beginning	67,287	73,142		
Unencumbered Cash - Ending	$ 73,142	72,616		

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STATEMENT 3-8

SPECIAL REVENUE FUNDS

PROFESSIONAL DEVELOPMENT FUND

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Other Revenue	$ 20	$ 23	$ 0	$ 23
State Aid	0	0	0	0
Transfer General	0	10,000	1,000	9,000
Transfer Supplement General	7,000	0	1,000	(1,000)
Total Cash Receipts	7,020	10,023	2,000	8,023
Expenditures				
Instructional Support Staff				
Salaries	1,363	3,487	5,000	(1,513)
Employee Benefits	105	271	300	(29)
Other Purchased Services	2,154	2,670	6,000	(3,330)
Supplies	3,313	5,869	1,000	4,869
Total Expenditures	6,935	12,297	12,300	(3)
Receipts Over (Under) Expenditures	85	(2,274)		
Unencumbered Cash - Beginning	43,769	43,854		
Unencumbered Cash - Ending	$ 43,854	41,580		

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STATEMENT 3-9

SPECIAL REVENUE FUNDS

PARENT EDUCATION PROGRAM FUND

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Operating Transfers General	$ 0	$ 0	$ 1,000	$ (1,000)
Operating Transfers Supplemental	9,000	9,000	9,000	0
Total Cash Receipts	9,000	9,000	10,000	(1,000)
Expenditures				
Support Service				
Misc Supplies	0	0	1,500	(1,500)
Co-op Payment	8,041	9,002	9,100	(98)
Total Expenditures	8,041	9,002	10,600	(1,598)
Receipts Over (Under) Expenditures	959	(2)		
Unencumbered Cash - Beginning	9,487	10,446		
Unencumbered Cash - Ending	$ 10,446	10,444		

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STATEMENT 3-10

SPECIAL REVENUE FUNDS

SPECIAL EDUCATION FUND

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
State Sources	$ 466,810	$ 488,327	$ 0	$ 488,327
Federal Sources	4,326	6,642	4,500	2,142
Miscellaneous	2,058	0	0	0
Transfer General	49,439	71,886	540,000	(468,114)
Operating Transfers	66,143	118,333	118,333	0
Total Cash Receipts	588,776	685,188	662,833	22,355
Expenditures				
Instruction				
Purchased Services (pay to Co-op)	552,027	595,954	595,400	554
Maintenance/Rent	0	7,550	4,000	3,550
Vehicle Operating Services				
Salaries	31,604	35,461	52,000	(16,539)
Employee Benefits	2,415	2,741	2,650	91
Other Purchased Services	1,361	1,435	7,000	(5,565)
Supplies-Fuel	11,697	11,901	16,000	(4,099)
Miscellaneous-Supplies	12,562	6,703	14,000	(7,297)
Equipment	987	2,577	21,000	(18,423)
Total Expenditures	612,653	664,322	712,050	(47,728)
Receipts Over (Under) Expenditures	(23,877)	20,866		
Unencumbered Cash - Beginning	158,833	134,956		
Unencumbered Cash - Ending	$ 134,956	155,822		

See Accountant's Report and Accompanying Notes

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STATEMENT 3-11

SPECIAL REVENUE FUNDS

VOCATIONAL EDUCATION FUND

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Miscellaneous/Reimb	$ 10,374	$ 6,926	$ 0	$ 6,926
Interest	0	0	0	0
Transfer from General	160,000	180,000	180,000	0
Total Cash Receipts	170,374	186,926	180,000	6,926
Expenditures				
Instruction				
Salaries	147,347	161,150	150,000	11,150
Other Purchased Services	2,365	0	15,000	(15,000)
Equipment	1,011	4,525	15,000	(10,475)
Other	19,651	21,251	0	21,251
Total Expenditures	170,374	186,926	180,000	6,926
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash - Beginning	0	0		
Unencumbered Cash - Ending	$ 0	$ 0		

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STATEMENT 3-12

SPECIAL REVENUE FUNDS

GIFTS AND GRANTS

	Prior Year Actual	Current Year Actual	Budget	Variance Over (Under)
Cash Receipts				
Contributions & Donations	$ 14,845	$ 10,054	$ 20,000	$ (9,946)
Total Cash Receipts	14,845	10,054	20,000	(9,946)
Expenditures				
Instructional & Educational Mat	13,320	9,464	15,000	(5,536)
Total Expenditures	13,320	9,464	15,000	(5,536)
Receipts Over (Under) Expenditures	1,525	590		
Unencumbered Cash - Beginning	13,298	14,823		
Unencumbered Cash - Ending	$ 14,823	$ 15,413	$	

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STATEMENT 3-13

SPECIAL REVENUE FUNDS

INTEREST

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest Holding	$ 12,015	$ 11,946
Total Cash Receipts	12,015	11,946
Expenditures		
Transfer to Vo Ag	0	0
Transfer to Food Service	0	11,240
Transfer to Sp Ed	0	706
Transfer to Capital Outlay	12,015	0
Bilingual	0	0
Total Expenditures	12,015	11,946
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	0	0
Unencumbered Cash - Ending	$ 0	$ 0

This is not a budgeted fund
See Accountant's Report and Accompanying Notes

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STATEMENT 3-14

SPECIAL REVENUE FUNDS

TITLE I C MIGRANT

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid	$ 27,040	$ 35,000
Total Cash Receipts	27,040	35,000
Expenditures		
Instruction		
Salaries	25,725	28,637
Employee Benefits	1,243	2,008
Supplies	72	4,355
Total Expenditures	27,040	35,000
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	0	0
Unencumbered Cash - Ending	$ 0	$ 0

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STATEMENT 3-15

SPECIAL REVENUE FUNDS

TITLE I - CURRENT

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal	$ 58,432	$ 59,093
Total Cash Receipts	58,432	59,093
Expenditures		
Instruction		
Salaries	50,297	47,871
Employee Benefits	8,135	11,222
Purchased Prof & Tech Services	0	0
Supplies	0	0
Total Expenditures	58,432	59,093
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	0	0
Unencumbered Cash - Ending	$ 0	$ 0

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STATEMENT 3-16

SPECIAL REVENUE FUNDS

TITLE I CARRYOVER

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue	$ 0	$ 0
Federal	0	1,290
Total Cash Receipts	0	1,290
Expenditures		
Instruction	0	1,290
Support Service	0	0
Total Expenditures	0	1,290
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	0	0
Unencumbered Cash - Ending	$ 0	$ 0

This is not a budgeted fund
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STATEMENT 3-17

SPECIAL REVENUE FUNDS

FEDERAL FUNDS

TITLE II A

	Prior Year Actual	Current Year Actual
Cash Receipts	$ 14,748	$ 14,837
Cash Disbursements	14,748	14,837
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	0	0
Unencumbered Cash - Ending	$ 0	$ 0

This is not a budgeted fund
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STATEMENT 3-18

SPECIAL REVENUE FUNDS

KPERS

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Flow Through	$ 245,819	$ 223,357	$ 241,969	$ (18,612)
Total Cash Receipts	245,819	223,357	241,969	(18,612)
Expenditures				
Instruction	245,819	223,357	241,969	(18,612)
Total Expenditures	245,819	223,357	241,969	(18,612)
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash - Beginning	0	0		
Unencumbered Cash - Ending	$ 0	$ 0		

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STATEMENT 3-19

SPECIAL REVENUE FUNDS

CONTINGENCY RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts	$ 0	$ 0
Expenditures	0	0
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	173,266	173,266
Unencumbered Cash - Ending	$ 173,266	$ 173,266

This is not a budgeted fund
See Accountant's Report and Accompanying Notes

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STATEMENT 3-20

SPECIAL REVENUE FUNDS

TEXTBOOK & STUDENT MATERIAL REVOLVING

	Prior Year Actual	Current Year Actual
Cash Receipts		
Textbook Rental & Fees	$ 16,178	$ 17,184
Materials & Supplies	35,962	23,517
Total Cash Receipts	52,140	40,701
Expenditures		
Textbooks	18,795	16,157
Materials & Supplies	35,282	24,127
Total Expenditures	54,077	40,284
Receipts Over (Under) Expenditures	(1,937)	417
Unencumbered Cash - Beginning	55,336	53,399
Unencumbered Cash - Ending	$ 53,399	$ 53,816

This is not a budgeted fund
See Accountant's Report and Accompanying Notes

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STATEMENT 3-21

SPECIAL REVENUE FUNDS

SMALL RURAL SCHOOLS

	Prior Year Actual	Current Year Actual
Cash Receipts		
Small Rural School	$ 21,974	$ 23,166
Total Cash Receipts	21,974	23,166
Expenditures		
School Improvement	21,974	23,166
Total Expenditures	21,974	23,166
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	0	0
Unencumbered Cash - Ending	$ 0	$ 0

This is not a budgeted fund
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STATEMENT 3-22

SPECIAL REVENUE FUNDS

BOND AND INTEREST FUND

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Motor Vehicle Tax	$ 22,890	$ 23,908	$ 23,236	$ 672
Back Taxes	1,247	1,121	2,756	(1,635)
Ad Valorem Taxes	218,934	269,011	258,055	10,956
State Aid	15,526	15,874	15,874	0
Machinery & Equip Aid	0	0	0	0
Total Cash Receipts	258,597	309,914	299,921	9,993
Expenditures				
Bond Principal	165,000	175,000	175,000	0
Bond Interest	29,081	23,425	23,425	0
Cash Reserve	0	0	0	0
Commision and Postage	0	0	0	0
Total Expenditures	194,081	198,425	198,425	0
Receipts Over (Under) Expenditures	64,516	111,489		
Unencumbered Cash - Beginning	279,842	344,358		
Unencumbered Cash - Ending	$ 344,358	$ 455,847		

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SCHOOL ACTIVITY FUNDS

STATEMENT 4

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursement	Ending Cash Balance
Hanover High School				
Hanover Activity	$ 6,763	$ 32,304	$ 35,388	$ 3,679
Wildcat Scholarship	$ 300	$ 6,000	$ 6,300	$ 0
Organizations/Classes				
Freshman	$ 784	$ 844	$ 862	$ 766
Sophomores	1,194	1,961	1,698	1,457
Juniors	4,779	14,113	14,791	4,101
Seniors	0	4,829	4,676	153
Annual Club	6,788	8,365	7,563	7,590
Band Club	251	279	21	509
Cheerleaders	267	2,294	2,163	398
FBLA	5,250	34,747	37,622	2,375
FFA	5,089	7,968	9,606	3,451
FCCLA	4,827	11,223	12,358	3,692
H-Club	835	3,283	3,340	778
Jr. High Cheerleaders	145	1,724	1,520	349
HS Scholar Bowl	523	360	345	538
National Honor Society	38	593	467	164
Junior High FBLA	15	463	478	0
Student Council	571	1,368	1,087	852
Thespian	1,381	1,096	1,146	1,331
Subtotal Hanover Organizations	$ 32,737	$ 95,510	$ 99,743	$ 28,504
Revolving/Clearing Accounts				
Lunch	0	35,623	35,557	66
Textbooks	0	9,538	9,514	24
Revolving Music	0	178	178	0
Revolving Vo-Ag	0	10,743	10,743	0
Revolving Wood	0	7,724	7,724	0
Revolving Art	0	940	940	0
Petty Cash	0	2,731	1,731	1,000
Student - Act Petty Cash	0	4,077	4,077	0
Subtotal Hanover Clearing Accounts	0	71,554	70,464	1,090
Total Hanover Activity	39,800	205,368	211,895	33,273

This is not a budgeted fund.
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SCHOOL ACTIVITY FUNDS

STATEMENT 4 (Continued)

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursement	Ending Cash Balance
Linn High School				
Administrative Activities	$ 533	$ 14,811	$ 15,260	$ 84
Organizations/Classes				
Yearbook	11,997	6,974	8,100	10,871
National Honor Society	353	1,221	1,246	328
Scholars Bowl	741	360	267	834
Class of 2010	46	0	0	46
Class of 2013	12,214	1,362	12,990	586
Class of 2014	12,605	9,490	10,529	11,566
Class of 2015	3,189	10,554	3,899	9,844
Class of 2016	0	3,317	457	2,860
Class of 2009	61	0	0	61
Art Club	103	89		192
Linn Music	61	1,347	260	1,148
FBLA	2,985	9,881	8,018	4,848
FFA	4,291	14,925	14,216	5,000
FCCLA	1,406	17,819	16,701	2,524
L-Club	108	0	0	108
Jr. High Cheerleaders	248	1,332	1,220	360
Pepclub/Cheerleaders	1,145	1,925	2,258	812
Student Council	1,402	8,444	8,247	1,599
Thespian	749	775	1,122	402
Subtotal Linn Organization	$ 53,704	89,815	89,530	53,989
Scholarship Funds				
National Honor Society Alumni	41	9	0	50
Bulldog Scholarship	8,582	6,544	6,669	8,457
Subtotal Linn Scholarships	8,623	6,553	6,669	8,507
Revolving/Clearing Accounts				
Lunch	0	45,157	45,157	0
Textbooks	0	10,552	10,552	0
Revolving Music	0	368	368	0
Revolving Vo-Ag	0	160	160	0
Revolving Wood	0	3,452	3,452	0
Revolving Art	0	600	600	0
Petty Cash	0	2,860	2,860	0
Student - Act Petty Cash	0	4,103	4,103	0
Subtotal Linn Clearing Accounts	0	67,252	67,252	0
Total Linn Activity	62,860	178,431	178,711	62,580

This is not a budgeted fund.
See Accountant's Report and Accompanying Notes

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Unified School District No. 223 is a municipal Corporation established under Kansas Statute. All USDs in Kansas are required to be audited under K.S.A. 75-1122. The District is governed by an elected seven member board. The financial statements present the financial condition and results of operation of the district. The District's major operations include primary and secondary education for young people. The scope of the entity for financial reporting purposes is designed as those funds for which the District has oversight responsibility and is primarily accountable. Oversight responsibility includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds.

This report is intended solely for the information and use of the Board of Education and management of USD 223, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and Kansas State Board of Education, and should not be used for any other purposes.

The Kansas Municipal Audit and Accounting Guide will be referred to as KMAAG throughout the notes.

Basis of Presentation

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

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital project fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

Trust fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Basis of Accounting-KMAAG Regulatory Basis of Accounting (Formerly Statutory Basis)

The KMAAG regulatory audit requirement of K.S.A. 75-1122 applies to each individual municipality as defined in K.S.A. 75-1117. The KMAAG regulatory financial reporting entity is comprised of the "municipality" as defined in K.S.A. 75-1117, as a minimum, and may also include certain separate legal entities referred to as "related municipal entities" as defined by KMAAG.

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

GAAP Basis Financial Statements - Minimum Requirements. GAAP basis financial statements are financial statements prepared in accordance with "Governmental Accounting and Financial Reporting Standards" as promulgated by the Governmental Accounting Standards Board (GASB). For KMAAG purposes, if GAAP basis financial statements are presented, the basic financial statements and notes must be presented at a minimum. All other supplemental schedules are optional. However, the KMAAG mandatory note disclosures (if applicable) must still be presented even though they might not otherwise be required by GAAP to be included in the notes. KMAAG does not provide an example of GAAP financial statements.

Regulatory Basis Financial Statements - Minimum Requirements. If GAAP basis financial statements are not presented, then: 1) a GAAP waiver resolution must be passed, and 2) regulatory basis financial statements including regulatory-required supplementary information, must be presented. Regulatory basis financial statements are financial statements prepared in accordance with the guidelines of KMAAG. Such financial statements are prepared on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas and prepared in accordance with the prescribed format established by KMAAG.

The regulatory basis financial statement consists of a single basic financial statement which is a summary statement containing all funds and related municipalities included in the financial reporting entity and demonstrating compliance with the cash basis law. The remainder of the required financial information to be presented is considered regulatory-required supplemental information which includes 1) a fund summary schedule containing all funds and showing compliance with the budget law for those funds required to be budgeted, 2) individual fund schedules for all funds except agency funds, with budget comparisons for those funds required to be budgeted, 3) a fund summary schedule, for agency funds only, showing cash balances and changes therein, and 4) special schedules unique to the municipality. Note: Regulatory-required supplementary information are the additional schedules that are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide and are not to be considered as required supplementary information as defined by auditing standards generally accepted in the United States of America. In addition, the KMAAG mandatory note disclosures must be presented and must include all disclosures necessary for fair presentation in accordance with the KMAAG regulatory basis framework. All other schedules that may be presented are optional.

Departure from GAAP

A waiver from the requirement to prepare and audit GAAP basis financial statements is necessary *only if* the municipality decides to present regulatory basis financial statements. A waiver is not required for financial statements that are prepared in accordance with the GAAP basis framework but include certain departures from GAAP. For example, if GAAP financial statements are presented but do not include the management discussion and analysis, this would be a departure from GAAP. However, even lacking the management discussion and analysis required supplementary information, the basic financial statements may still be presented on a GAAP basis framework, thus a waiver would not be required. The District has approved a resolution that is compliance with K.S.A. 75-1120a(c) waiving the annual for application of GAAP for the year ended 6/30/13. This waiver is completed annually and allows the District to use the regulatory basis of accounting.

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balance, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles,

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. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statement.

Reimbursed Expenses

The purpose of these expenditures is to repay the district for amounts remitted on behalf of another party and such expenditures are exempt for the budget law under K.S.A. 79-2934. Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

2012 Financial Data

Amounts that are shown for 2012 in the accompanying financial statements are included where practical, only to provide a basis for comparison with 2013, and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

Cash and Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Ad Valorem Tax Revenue

The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually the determination of assessed valuation and the collections of property taxes for all political subdivisions in determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One- half of the property taxes are due December 20 and distributed to the District by January 20 to help finance the current year's budget. The second half is due May 10 and distributed to the District June 5. The District Treasurer draws all available funds from the County Treasurer's Office at designated times throughout the year.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

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 fund. The statutes provide for the following sequence and time table in the adoption of the annual operating budget:

- Preparation of the budget for the succeeding calendar year on or before August 1st.
- Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
- Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- 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 increase in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. These taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. Delinquent taxes are assessed interest at 9% per annum. This interest is retained by the County.

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 budget receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditures authority) lapse at year-end.

A legal operating budget is not required for trust funds, agency funds, and the following special revenue funds: Textbooks and Student Materials, Athletic Gate Receipts and other School Agency/Activity Funds, Fee and User Charges/Clearing Accounts, Contingency Reserve, Employee Benefits, and Federal Funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.
Inventories and prepaid expenses which benefit future periods are recorded as an expenditures during the year of purchase. For disclosure purposes, material inventories would be reported as an asset offset by a reserve. The district had no material inventories.

A legal operating budget is not for required for the contingency fund, trust and agency funds, and the following special revenue funds: Textbook Rental, Interest, Title I Migrant, , Title IIA-Teacher Quality, Title I Current and Carryover, and Small Rural School Fund.

Compliance With Kansas Statutes and Other Finance Related Legal Matters
There are no noted violations with such compliance requirements.

NOTE C- DEPOSITS AND INVESTMENTS
Deposits
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 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. Cash balances from all funds are combined and invested to the extent available in certificates of deposits and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Custodial Credit Risk
Custodial credit risk is the risk 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.

At year-end the carrying amount of the district's deposits, including certificates of deposit and money market accounts was $1,648,577. The bank balance was $1,352,724 and activity operating accounts had a balance of $95,853. The certificate of deposit had a balance of balance $200,000. The difference between the carrying amount and the bank balance are outstanding checks and deposits in transit. Of the bank balance, $450,000 was covered by FDIC insurance and the remaining balance was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the district's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a third-party custodial agreement signed by all three parties: the district, the pledging bank, and the independent third-party banks holding the securities.

Investment Policy

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 investment choices. Funds of the district were on deposit in interest bearing accounts in banks and Certificates of Deposits issued by banks at June 30, 2013.

The cash of each of the funds of the district is pooled together so that better management of cash and investments can be practiced, resulting in greater earnings accruing to the district. Please refer to Statement 1 to review how the various funds are accruing interest.

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.

NOTE D- FRINGE BENEFIT PLAN I.R.C. 125

The District has in place an IRS-IRC Section #125 "Cafeteria" Fringe Benefit Plan. The District shall pay the cost of a single health care premium for each teacher up to and including an amount of $500 per month. No cash-in-lieu arrangements will be considered under any circumstances. Participation in the district group health plan is mandatory to receive this benefit.

Any employee may reduce his/her salary by an amount up to the statutory limit on non-taxable benefits as set forth in the program. Items by which the employee may reduce his/her contract are as follows: Group Medical Insurance, Disability Insurance, Group term life insurance up to $50,000, Cancer Insurance, Medical Reimbursement, Dependent Care, Dental and Vision Insurance, and Health Savings Accounts. The District provides full family health insurance coverage for the Superintendent and for the principals with the designated common carrier.

The plan year runs from September 1 to August 31st annually. The maximum benefit allowance per employee is $3600/yr and $2500/yr for the years ended June 30, 2013, and 2014 for Medical Reimbursements. The maximum for the dependent care reimbursement account is $5000 annually.

NOTE E- CONTINGENT LIABILITIES

The district has computed the unfunded accumulated sick/personal leave costs as of June 30, 2013 to be $171,772. Pease Refer to Note F for further information on compensated absences.

NOTE F- COMPENSATED ABSENCES

The District's policies regarding vacation and sick leave are: Teachers are allowed nine days sick leave accumulative to 90 days and three personal leave, non-accumulative; the Superintendent is allowed 12 days sick leave accumulative to 60 days, three days personal leave, non-accumulative, and 20 days annual vacation leave; the principals are allowed 12 days sick leave accumulative to 60 days and two days personal leave accumulative to three days; the U.S.D. clerk/secretary is allowed 12 days sick leave accumulative to 60 days, three days personal leave, non-accumulative, and 12 days annual leave, non-accumulative; the building secretaries are allowed nine days sick leave accumulative to 30 days and two days personal leave, non-accumulative; the cooks and teachers aides are allowed nine days sick leave accumulative to 30 days and two days personal leave, non-accumulative; the custodians are allowed 12 days sick leave accumulative to 60 days, two days personal leave, non- accumulative, and 12 days annual leave, non-accumulative; the maintenance/transportation supervisor is allowed 12 days sickleave accumulative to 60 days, three days personal leave, non-accumulative, and 12 days annual leave, non-accumulative; the U.S.D. treasurer/central office secretary is allowed 12 days sick leave accumulative to 60 days, three days personal leave, non-accumulative, and 12 days annual leave, non-accumulative; the bus drivers are allowed nine days sick leave accumulative to 30 days and 2 personal days leave, non-accumulative.

After 5 years of consecutive and continuous service in USD #223, teachers who retire in the district under KPERS guidelines shall be paid for unused sick leave up to a maximum of 60 days at the amount of half rate of substitute pay per day for every day of unused sick leave that they may have accumulated at the end of the contract year at which retirement is to take place. In order to receive benefits for payment of unused sick leave, the teacher must notify the central office by the end of their contract period that their intention of retirement will take place the following year.

After 5 years of consecutive and continuous years of service in USD #223, teachers who resign their position, or their contract is terminated shall be paid for unused sick leave up to a maximum of 90 days in the amount of half of substitute pay for every day of unused sick leave that they may have accumulated at the end of the contract year at which the resignation/termination is to take place.
Liability for compensated absences is not reflected in the financial statements.

NOTE G- DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. 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 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. 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 statutory required employers share. The amount of KPERS Employer Contribution Payments FYE 6/30/2013 was $223,357

NOTE H- RISK FINANCING AND RELATED INSURANCE ISSUES

The district is exposed to various risks of loss related to torts; theft of, damage to; and destruction of assets; errors and omissions; injuries to employees; and nature disasters. The district continues to carry insurance for all risks of loss including workers compensation. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE I- FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value amounts for cash and cash equivalents approximate carrying amounts due to the short maturities of these instruments. Financial instruments that subject the district to significant concentration and credit risk consist of cash and cash equivalents. The district places its cash in market interest rate accounts and are insured fully by FDIC coverage and pledged securities with fair market value equal to or greater than its cash and cash equivalents.

NOTE J- FIDUCIARY/TRUST TYPE FUNDS

The District does not currently have any of these funds in their financial statement FYE 6/30/13.

NOTE K- OTHER POST-EMPLOYMENT BENEFITS

As provided by K.S.A 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of *the* applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

NOTE L- IN-SUBSTANCE RECEIPT IN TRANSIT
The District received $210,596 subsequent to June 30, 2013 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2013.

NOTE M- LONG-TERM DEBT
The District is responsible for Series 2004General Obligation School Bonds. Please refer to Note U for further analysis of the bond issuance and information.

NOTE N- CAPITAL PROJECT COMPLIANCE
The District currently has no capital projects being undertaken.

NOTE O- LITIGATION CONTINGENCIES
The District currently has no litigation contingencies that it is involved in.

NOTE P- COMMITMENT AND CONTINGENCIES
The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District at June 30, 2013.

NOTE Q- SUBSEQUENT EVENTS
These financial statements considered subsequent events through November 11, 2013 the date the financial statements were available to be issued.

Note R- INTER-FUND TRANSACTIONS

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue, to the fund authorized to expend the revenue, have been segregated from normal revenues and expenditures for reporting purposes are are:

FROM	TO		2012	2013
General	Professional Development		$ 7,000	10,000
General	Special Education		516,249	560,213
General	Vacational Ed		160,000	180,000
General	At Risk K-12		140,000	150,000
General	Bilingual		6,270	18,000
		Totals	**829,519**	**918,213**
Supplemental General	Special Education		66,143	118,333
Supplemental General	Parents as Teachers		9,000	9,000
Supplemental General	Bilingual		10,000	4,120
		Totals	**85,143**	**131,453**
Interest	Food Service		0	11,241
Interest	Special Educatin		0	706
Interest	Capital Outlay		12,015	0
		Totals	**12,015**	**11,947**
		Totals	**926,677**	**1,061,613**

The above transfers are included in the expenditures of the disbursing fund and included in the revenues of the receiving fund as required by the Cash Basis and Budget Laws of Kansas, and for budget comparison purposes.

Note S-INTER-GOVERNMENTAL ASSISTANCE STATE

Type of Aid		2012	2013
General State Aid		$ 1,922,345	1,986,626
Supplemental State Aid		220,212	239,317
State Safety		2,632	3,627
State Food Service		2,088	2,112
State Special Ed		466,810	488,327
School District Capital Improvement		15,526	15,874
KPERS Employer Cont.		245,819	223,357
	Totals	**2,875,432**	**2,959,240**

Note T-INTER-GOVERNMENTAL ASSISTANCE FEDERAL

Type of Aid		2012	2013
Title I Fund		$ 58,432	60,383
Small Rural Schools		21,974	23,166
Food Service-Breakfast		19,643	19,475
Food Service-Other		77,707	79,049
Ed. Jobs Flo-Thru		1,242	0
Title II Improving Teacher Quality		14,748	14,837
Title I C Migrant		27,040	35,000
	Totals	**220,786**	**231,910**

Note U

STATEMENT OF CHANGES IN LONG - TERM DEBT
For The Year Ended June 30, 2013

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year
General Obligation Bonds Series 2004	3.25 to 3.7 percent	12/1/2004	$ 1,500,000	9/1/2015	$ 745,000	$ 0	$ ($175,000)	$ ($175,000)	$ $570,000
TOTAL LONG TERM DEBT			$ $1,500,000.00		$ $745,000.00	$ $0.00	$ -$175,000.00	$ -$175,000.00	$ $570,000.00

Year	Principal Due	Interest
2013-14	$180,000.00	$17,345.00
2014-15	$190,000.00	$10,820.00
2015-16	$200,000.00	$3,700.00