

UNIFIED SCHOOL DISTRICT NO. 460

HESSTON, KANSAS

Special Financial Statements

June 30, 2012

Unified School District No. 460

TABLE OF CONTENTS

June 30, 2012

	<u>Statement</u>	<u>Page</u>
Independent Auditor's Report		1
Summary Statement of Cash Receipts, Expenditures and Unencumbered Cash	1	2
Summary Statement of Expenditures - Actual and Budget	2	3
Statement of Cash Receipts and Expenditures - Actual and Budget		
General	3	4
Supplemental General	3	5
At Risk (K-12)	3	6
Bilingual Education	3	6
Capital Outlay	3	7
Driver Training	3	7
Food Service	3	8
Professional Development	3	8
Parent Education	3	9
Special Education	3	9
Vocational Education	3	10
KPERS Retirement	3	10
Contingency Reserve	3	11
Textbook and Material Revolving	3	11
Recreation	3	12
Recreation Employee Benefit and Liability	3	12
State and Federal Grants	3	13
Bond and Interest	3	14
Statement of Cash Receipts and Expenditures		
School Activity Funds	4	15
Notes to Financial Statements		16-23

Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 460
Hesston, Kansas

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 460, Hesston, Kansas, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2011 financial statements and, in our report dated October 24, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the District's legally separated component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component units. The District has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component unit, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate 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 effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 460, Hesston, Kansas, as of June 30, 2012, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Primary Government of Unified School District No. 460, Hesston, Kansas, as of June 30, 2012, and its cash receipts and expenditures for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Knudsen, Monroe & Company, LLC

Certified Public Accountants

October 8, 2012

Unified School District No. 460

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended June 30, 2012

<u>FUNDS</u>	Unencumbered Cash Balance 06-30-11 *	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Unencumbered Cash Balance 06-30-12	Liabilities and Encumbrances	Cash Balance 06-30-12
General							
General	\$ -	-	5,240,071	5,240,071	-	33,852	33,852
Supplemental general	27,345	-	1,800,174	1,775,960	51,559	75,846	127,405
Special revenue							
At risk (K-12)	85,232	-	317,506	337,537	65,201	-	65,201
Bilingual education	19,612	-	43,972	44,676	18,908	-	18,908
Capital outlay	518,243	-	275,825	266,515	527,553	32,504	560,057
Driver training	11,529	-	12,692	11,971	12,250	-	12,250
Food service	62,920	-	388,951	369,031	82,840	-	82,840
Professional development	25,908	-	-	10,000	15,908	-	15,908
Parent education	1,338	-	5,000	4,406	1,932	-	1,932
Special education	267,224	-	956,000	948,667	274,557	870	275,427
Vocational education	48,407	-	200,600	206,541	42,466	-	42,466
KPERS retirement	-	-	487,242	487,242	-	-	-
Contingency reserve	400,000	-	-	-	400,000	-	400,000
Textbook and material revolving	27,480	-	25,280	23,004	29,756	381	30,137
Recreation	41,866	-	105,774	105,774	41,866	-	41,866
Recreation employee benefit and liability	7,276	-	17,349	19,000	5,625	-	5,625
State and federal grants	1,234	-	144,519	145,667	86	521	607
School activity funds							
Gate receipts	65,181	-	161,477	174,660	51,998	-	51,998
School projects	14,823	-	24,467	20,893	18,397	-	18,397
Debt service							
Bond and interest	881,643	-	1,029,802	1,062,156	849,289	-	849,289
Fiduciary							
Student organizations	-	-	142,272	142,272	-	21,274	21,274
	<u>\$ 2,507,261</u>	<u>-</u>	<u>11,378,973</u>	<u>11,396,043</u>	<u>2,490,191</u>	<u>165,248</u>	<u>2,655,439</u>

* As Restated - See Note 8

Unified School District No. 460

SUMMARY STATEMENT OF EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

	Certified <u>Budget</u>	Adjustment to Comply with <u>Legal Max</u>	Adjustment for Qualifying <u>Budget Credits</u>	Total Budget for <u>Comparison</u>	Expenditures Chargeable to <u>Current Year</u>	Variance Over <u>(Under)</u>
General						
General	\$ 5,281,746	(85,806)	44,131	5,240,071	5,240,071	-
Supplemental general	1,775,960	-	-	1,775,960	1,775,960	-
Special revenue						
At risk (K-12)	345,632	-	-	345,632	337,537	(8,095)
Bilingual education	46,300	-	-	46,300	44,676	(1,624)
Capital outlay	430,246	-	-	430,246	266,515	(163,731)
Driver training	24,500	-	-	24,500	11,971	(12,529)
Food service	417,850	-	-	417,850	369,031	(48,819)
Professional development	29,908	-	-	29,908	10,000	(19,908)
Parent education	4,406	-	-	4,406	4,406	-
Special education	1,029,315	-	-	1,029,315	948,667	(80,648)
Vocational education	252,450	-	-	252,450	206,541	(45,909)
KPERS retirement	487,247	-	-	487,247	487,242	(5)
Recreation	110,000	-	-	110,000	105,774	(4,226)
Recreation employee benefit and liability	19,000	-	-	19,000	19,000	-
Debt service						
Bond and interest	1,062,156	-	-	1,062,156	1,062,156	-
	<u>\$ 11,316,716</u>	<u>(85,806)</u>	<u>44,131</u>	<u>11,275,041</u>	10,889,547	<u>(385,494)</u>
Add expenditures of unbudgeted funds						
Special revenue					364,224	
Fiduciary					142,272	
Total expenditures, Statement 1					<u>\$ 11,396,043</u>	

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2011 <u>Actual</u>	2012		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
GENERAL FUND				
Receipts				
Taxes				
Tax in process	\$ 39,054	51,975	34,769	17,206
Current tax	606,361	600,246	609,240	(8,994)
Delinquent tax	6,254	10,563	11,752	(1,189)
Mineral production tax	8	10	-	10
Other taxes	2,180	-	-	-
General state aid	3,807,806	3,840,933	3,903,465	(62,532)
Special education state aid	637,857	683,753	716,520	(32,767)
Education jobs fund	166,939	2,460	-	2,460
ARRA stabilization aid	95,340	-	-	-
Other - Reimbursements	51,700	44,131	-	44,131
Transfers from other funds	-	6,000	6,000	-
	<u>5,413,499</u>	<u>5,240,071</u>	<u>5,281,746</u>	<u>(41,675)</u>
Expenditures				
Instruction	2,884,000	2,840,988	2,970,106	(129,118)
Student support services	57,620	66,092	65,900	192
Instructional support services	354,156	151,288	186,220	(34,932)
General administration	238,462	276,383	293,200	(16,817)
School administration	426,639	428,152	441,700	(13,548)
Operations and maintenance	391,446	381,443	407,300	(25,857)
Student transportation	190,374	141,974	186,800	(44,826)
Other services	3,430	3,486	4,000	(514)
Operating transfers	867,374	950,265	726,520	223,745
Adjustment to comply with legal max	-	-	(85,806)	85,806
Legal general fund budget	5,413,501	5,240,071	5,195,940	44,131
Budget adjustments:				
Qualifying budget credits	-	-	44,131	(44,131)
Total expenditures	<u>5,413,501</u>	<u>5,240,071</u>	<u>5,240,071</u>	<u>-</u>
Receipts over (under) expenditures	(2)	-	-	-
Unencumbered cash, beginning - As restated	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See notes to financial statements

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2011 <u>Actual</u>	2012		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
SUPPLEMENTAL GENERAL FUND				
Receipts				
Taxes				
Tax in process	\$ 44,086	59,524	40,314	19,210
Current tax	702,200	750,267	735,977	14,290
Delinquent tax	7,197	11,909	13,636	(1,727)
Vehicle tax	95,346	97,100	109,047	(11,947)
Other taxes	1,345	-	-	-
State aid	915,574	881,374	849,641	31,733
	<u>1,765,748</u>	<u>1,800,174</u>	<u>1,748,615</u>	<u>51,559</u>
Expenditures				
Instruction	84,210	99,309	111,322	(12,013)
Instructional support services	249,670	310,553	342,310	(31,757)
General administration	34,894	25,034	35,000	(9,966)
Operations and maintenance	447,052	445,117	470,250	(25,133)
Student transportation	-	46,757	45,000	1,757
Other support services	46,652	32,712	40,000	(7,288)
Operating transfers	913,482	816,478	732,078	84,400
	<u>1,775,960</u>	<u>1,775,960</u>	<u>1,775,960</u>	<u>-</u>
Receipts over (under) expenditures	(10,212)	24,214		
Unencumbered cash, beginning - As restated	<u>37,557</u>	<u>27,345</u>		
Unencumbered cash, ending	<u>\$ 27,345</u>	<u>51,559</u>		

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2011 <u>Actual</u>	2012		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
AT RISK FUND (K-12)				
Receipts				
Transfers from other funds	\$ 365,000	317,506	267,400	50,106
Expenditures				
Instruction				
Salaries and benefits	166,020	161,900	166,182	(4,282)
Supplies and other	7,910	10,082	10,000	82
Student support services				
Salaries and benefits	151,502	165,555	169,450	(3,895)
	<u>325,432</u>	<u>337,537</u>	<u>345,632</u>	<u>(8,095)</u>
Receipts over (under) expenditures	39,568	(20,031)		
Unencumbered cash, beginning	<u>45,664</u>	<u>85,232</u>		
Unencumbered cash, ending	<u>\$ 85,232</u>	<u>65,201</u>		
BILINGUAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 50,000	43,972	29,000	14,972
Expenditures				
Instruction				
Salaries and benefits	48,917	43,693	43,800	(107)
Purchased services and supplies	1,239	983	2,500	(1,517)
	<u>50,156</u>	<u>44,676</u>	<u>46,300</u>	<u>(1,624)</u>
Receipts over (under) expenditures	(156)	(704)		
Unencumbered cash, beginning	<u>19,768</u>	<u>19,612</u>		
Unencumbered cash, ending	<u>\$ 19,612</u>	<u>18,908</u>		

See notes to financial statements

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2011 <u>Actual</u>	2012		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
CAPITAL OUTLAY FUND				
Receipts				
Taxes				
Tax in process	\$ 2,993	-	-	-
Delinquent tax	1,086	949	-	949
Vehicle tax	16,274	5,078	4,913	165
Other taxes	39	-	-	-
Interest on idle funds	13,194	7,297	13,000	(5,703)
Insurance and other	69,916	18,236	-	18,236
Transfers from other funds	<u>217,374</u>	<u>244,265</u>	<u>-</u>	<u>244,265</u>
	<u>320,876</u>	<u>275,825</u>	<u>17,913</u>	<u>257,912</u>
Expenditures				
Equipment and furniture	222,322	193,149	330,246	(137,097)
Construction and remodeling	<u>67,433</u>	<u>73,366</u>	<u>100,000</u>	<u>(26,634)</u>
	<u>289,755</u>	<u>266,515</u>	<u>430,246</u>	<u>(163,731)</u>
Receipts over (under) expenditures	31,121	9,310		
Unencumbered cash, beginning	<u>487,122</u>	<u>518,243</u>		
Unencumbered cash, ending	<u>\$ 518,243</u>	<u>527,553</u>		
DRIVER TRAINING FUND				
Receipts				
State safety aid	\$ 4,736	4,042	4,736	(694)
Other	7,235	8,650	7,200	1,450
Transfers from other funds	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>(4,000)</u>
	<u>11,971</u>	<u>12,692</u>	<u>15,936</u>	<u>(3,244)</u>
Expenditures				
Instruction				
Salaries and benefits	11,170	11,017	14,650	(3,633)
Other	513	954	850	104
Vehicle operations	<u>-</u>	<u>-</u>	<u>9,000</u>	<u>(9,000)</u>
	<u>11,683</u>	<u>11,971</u>	<u>24,500</u>	<u>(12,529)</u>
Receipts over (under) expenditures	288	721		
Unencumbered cash, beginning	<u>11,241</u>	<u>11,529</u>		
Unencumbered cash, ending	<u>\$ 11,529</u>	<u>12,250</u>		

See notes to financial statements

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2011 <u>Actual</u>	2012		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
FOOD SERVICE FUND				
Receipts				
Lunch and breakfast sales	\$ 194,955	214,303	186,205	28,098
Federal aid	165,061	169,532	165,060	4,472
State aid	5,006	5,116	4,034	1,082
	<u>365,022</u>	<u>388,951</u>	<u>355,299</u>	<u>33,652</u>
Expenditures				
Food service operations				
Salaries and benefits	133,778	140,210	160,350	(20,140)
Food and supplies	209,764	228,821	255,000	(26,179)
Equipment	-	-	1,500	(1,500)
Other	-	-	1,000	(1,000)
	<u>343,542</u>	<u>369,031</u>	<u>417,850</u>	<u>(48,819)</u>
Receipts over (under) expenditures	21,480	19,920		
Unencumbered cash, beginning	<u>41,440</u>	<u>62,920</u>		
Unencumbered cash, ending	<u>\$ 62,920</u>	<u>82,840</u>		
PROFESSIONAL DEVELOPMENT FUND				
Receipts				
Transfers from other funds	\$ 18,000	-	4,000	(4,000)
Expenditures				
Instructional support services				
Salaries and benefits	3,656	3,251	8,125	(4,874)
Purchased services and supplies	10,061	5,702	18,500	(12,798)
Other services	-	1,047	3,283	(2,236)
	<u>13,717</u>	<u>10,000</u>	<u>29,908</u>	<u>(19,908)</u>
Receipts over (under) expenditures	4,283	(10,000)		
Unencumbered cash, beginning	<u>21,625</u>	<u>25,908</u>		
Unencumbered cash, ending	<u>\$ 25,908</u>	<u>15,908</u>		

See notes to financial statements

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2011 <u>Actual</u>	2012		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
PARENT EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 5,000	5,000	<u>4,000</u>	<u>1,000</u>
Expenditures				
Student support services				
Purchased services	<u>4,406</u>	<u>4,406</u>	<u>4,406</u>	<u>-</u>
Receipts over (under) expenditures	594	594		
Unencumbered cash, beginning	<u>744</u>	<u>1,338</u>		
Unencumbered cash, ending	<u>\$ 1,338</u>	<u>1,932</u>		
SPECIAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 905,482	956,000	996,520	(40,520)
Other	<u>15,470</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>920,952</u>	<u>956,000</u>	<u>996,520</u>	<u>(40,520)</u>
Expenditures				
Instruction				
Payments to Coop	884,084	910,480	988,565	(78,085)
Student transportation				
Salaries and benefits	24,207	25,333	27,050	(1,717)
Other	<u>8,888</u>	<u>12,854</u>	<u>13,700</u>	<u>(846)</u>
	<u>917,179</u>	<u>948,667</u>	<u>1,029,315</u>	<u>(80,648)</u>
Receipts over (under) expenditures	3,773	7,333		
Unencumbered cash, beginning	<u>263,451</u>	<u>267,224</u>		
Unencumbered cash, ending	<u>\$ 267,224</u>	<u>274,557</u>		

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2011 <u>Actual</u>	2012		Variance Over Over (Under)
		<u>Actual</u>	<u>Budget</u>	
VOCATIONAL EDUCATION FUND				
Receipts				
Vocational fees	\$ 865	600	-	600
Transfers from other funds	220,000	200,000	208,000	(8,000)
	<u>220,865</u>	<u>200,600</u>	<u>208,000</u>	<u>(7,400)</u>
Expenditures				
Instruction				
Salaries and benefits	173,333	178,211	192,250	(14,039)
Tuition	49,533	27,179	58,000	(30,821)
Supplies	523	1,151	2,200	(1,049)
	<u>223,389</u>	<u>206,541</u>	<u>252,450</u>	<u>(45,909)</u>
Receipts over (under) expenditures	(2,524)	(5,941)		
Unencumbered cash, beginning	50,931	48,407		
Unencumbered cash, ending	<u>\$ 48,407</u>	<u>42,466</u>		
KPERS RETIREMENT FUND				
Receipts				
State aid	\$ 262,186	487,242	487,247	(5)
Expenditures				
Instruction	165,177	306,963	306,963	-
Student support services	10,487	19,490	19,490	-
Instructional support services	15,731	29,234	29,234	-
General administration	10,487	19,490	19,490	-
School administration	20,975	38,979	38,979	-
Other supplemental services	7,866	14,617	14,617	-
Operations and maintenance	18,353	34,107	34,107	-
Student transportation services	5,244	9,745	9,750	(5)
Food service operations	7,866	14,617	14,617	-
	<u>262,186</u>	<u>487,242</u>	<u>487,247</u>	<u>(5)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

See notes to financial statements

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2011 <u>Actual</u>	2012		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
CONTINGENCY RESERVE FUND				
Receipts				
Transfers from other funds	\$ -	-		
Expenditures	-	-		NOT APPLICABLE
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>400,000</u>	<u>400,000</u>		
Unencumbered cash, ending	<u>\$ 400,000</u>	<u>400,000</u>		
TEXTBOOK AND MATERIAL REVOLVING FUND				
Receipts				
Fees	<u>\$ 25,660</u>	<u>25,280</u>		
Expenditures				
Instruction				
Textbooks and other	22,947	17,004		
Transfers to other funds	-	6,000		NOT APPLICABLE
	<u>22,947</u>	<u>23,004</u>		
Receipts over (under) expenditures	2,713	2,276		
Unencumbered cash, beginning	<u>24,767</u>	<u>27,480</u>		
Unencumbered cash, ending	<u>\$ 27,480</u>	<u>29,756</u>		

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2011 <u>Actual</u>	2012		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
RECREATION FUND				
Receipts				
Taxes				
Tax in process	\$ 5,533	7,294	4,941	2,353
Current tax	85,963	84,868	86,025	(1,157)
Delinquent tax	947	1,499	1,672	(173)
Vehicle tax	11,622	12,113	13,573	(1,460)
Other taxes	284	-	-	-
	<u>104,349</u>	<u>105,774</u>	<u>106,211</u>	<u>(437)</u>
Expenditures				
Appropriation to recreation commission	<u>108,000</u>	<u>105,774</u>	<u>110,000</u>	<u>(4,226)</u>
Receipts over (under) expenditures	(3,651)	-		
Unencumbered cash, beginning	<u>45,517</u>	<u>41,866</u>		
Unencumbered cash, ending	<u>\$ 41,866</u>	<u>41,866</u>		
RECREATION EMPLOYEE BENEFIT AND LIABILITY FUND				
Receipts				
Taxes				
Tax in process	\$ 1,079	1,162	788	374
Current tax	13,660	13,639	13,979	(340)
Delinquent tax	193	281	265	16
Vehicle tax	2,737	2,267	2,481	(214)
Other taxes	48	-	-	-
	<u>17,717</u>	<u>17,349</u>	<u>17,513</u>	<u>(164)</u>
Expenditures				
Appropriation to recreation commission	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>	<u>-</u>
Receipts over (under) expenditures	(1,283)	(1,651)		
Unencumbered cash, beginning	<u>8,559</u>	<u>7,276</u>		
Unencumbered cash, ending	<u>\$ 7,276</u>	<u>5,625</u>		

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET*

Year ended June 30, 2012
(With comparable actual totals for the prior year ended June 30, 2011)

	2012				2011 Total	
	<u>Title I</u>	<u>ARRA Title I</u>	<u>Title II A Teacher Quality</u>	<u>Technology Rich Classroom</u>		<u>Total</u>
STATE AND FEDERAL GRANTS						
Receipts						
Federal and state grants	\$ 79,005	-	23,706	41,808	144,519	118,236
Expenditures						
Salaries and benefits	64,952	1,234	8,010	29,782	103,978	105,685
Purchased services	5,100	-	11,240	1,649	17,989	12,368
Equipment and supplies	8,953	-	4,456	10,291	23,700	-
	79,005	1,234	23,706	41,722	145,667	118,053
Receipts over (under) expenditures	-	(1,234)	-	86	(1,148)	183
Unencumbered cash, beginning	-	1,234	-	-	1,234	1,051
Unencumbered cash, ending	\$ -	-	-	86	86	1,234

* Legally adopted budget not applicable

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2012

(With comparable actual totals for the prior year ended June 30, 2011)

	2011 <u>Actual</u>	2012		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
BOND AND INTEREST FUND				
Receipts				
Taxes				
Tax in process	\$ 33,139	45,606	30,897	14,709
Current tax	537,283	491,110	498,439	(7,329)
Delinquent tax	6,057	9,368	10,448	(1,080)
Vehicle tax	79,028	73,376	81,392	(8,016)
Other taxes	1,760	-	1,122	(1,122)
Other	4,307	-	-	-
State aid	404,547	410,342	410,463	(121)
	<u>1,066,121</u>	<u>1,029,802</u>	<u>1,032,761</u>	<u>(2,959)</u>
Expenditures				
Debt service				
Principal	575,000	690,000	690,000	-
Interest	423,398	372,156	372,156	-
Commissions and fees	1,670	-	-	-
	<u>1,000,068</u>	<u>1,062,156</u>	<u>1,062,156</u>	<u>-</u>
Receipts over (under) expenditures	66,053	(32,354)		
Unencumbered cash, beginning	<u>815,590</u>	<u>881,643</u>		
Unencumbered cash, ending	<u>\$ 881,643</u>	<u>849,289</u>		

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
School Activity Funds

Year ended June 30, 2012

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
GATE RECEIPTS				
High School				
Athletics	\$ 45,696	120,135	131,537	34,294
Concessions	3,157	21,697	21,507	3,347
Musicals	4,366	252	1,699	2,919
Middle School				
Athletics	11,962	19,393	19,917	11,438
Totals to Statement 1	<u>\$ 65,181</u>	<u>161,477</u>	<u>174,660</u>	<u>51,998</u>
SCHOOL PROJECTS				
High School	\$ 3,888	14,037	12,934	4,991
Middle School	3,690	3,602	2,684	4,608
Grade School	7,245	6,828	5,275	8,798
Totals to Statement 1	<u>\$ 14,823</u>	<u>24,467</u>	<u>20,893</u>	<u>18,397</u>
STUDENT ORGANIZATIONS				
High School				
Class funds	\$ 556	205	165	596
Pit Stop	5,775	45,954	46,523	5,206
Other	10,924	91,967	91,629	11,262
Middle School				
Class funds	11,196	4,104	11,162	4,138
Grade School				
Class funds	235	42	205	72
Total cash basis activity	28,686	142,272	149,684	21,274
Adjustments for encumbrances and payables	<u>(28,686)</u>	<u>-</u>	<u>(7,412)</u>	<u>(21,274)</u>
Totals to Statement 1	<u>\$ -</u>	<u>142,272</u>	<u>142,272</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 460 is a Kansas municipality governed by an elected seven-member school board. These financial statements present only the primary government of the District.

In addition to the primary government, the Hesston Recreation Commission, which operates recreational programs within the District, qualifies as a component unit of the District. However, its financial activity is not included in the accompanying financial statements.

Fund Description

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, restrictions, or limitations.

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

Governmental Funds

General Funds - 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 major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

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

Fiduciary Funds

To account for assets held in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds.

Basis of Accounting

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with 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, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Activity Funds

Under provisions of K.S.A. 72-8208a, the Board of Education adopted a resolution relating to the school activity fund which results in the activity funds being accounted for under policies and procedures of the Board. In these financial statements, all school activity funds of the District are classified as fiduciary funds.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. 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. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
2. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
3. Adoption of the final budget on or before August 25th.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. BUDGETARY INFORMATION (Continued)

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 District's 2012 KPERS retirement fund budget was amended, increasing budgeted expenditures from \$479,801 to \$487,247.

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district, and if this "legal max" budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. If this "legal max" budget is greater than the adopted budget, the District must amend the budget (see prior paragraph) to the "legal max" amount to have the additional budget authority. The District's general fund budget for the year ended June 30, 2012 was reduced to the "legal max" amount of \$5,195,940.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

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

- Contingency reserve
- Textbook and material revolving
- State and federal grants
- Activity gate receipts and school projects

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

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and that 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 investment policy that would further limit interest rate risk.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

3. DEPOSITS AND INVESTMENTS (Continued)

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

As of June 30, 2012, the District’s investments included only bank time deposits with a fair value of \$2,273,064, which are not subject to investment ratings.

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

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

At June 30, 2012, the carrying amount of the District’s deposits was \$2,655,439. The bank balance totaled \$2,675,965. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by FDIC insurance with the remaining \$2,425,965 collateralized with securities held by the pledging financial institution’s agents in the District’s name.

Composition of Cash Balance

The cash balance of the District at June 30, 2012, consisted of the following accounts with a financial institution:

Board Funds	
NOW account	\$ 287,106
Money market account	2,273,064
Savings account	100
Petty cash checking	3,500
Total board funds	<u>2,563,770</u>
Activity funds	
NOW account	57,409
Demand deposits	34,260
Total activity funds	<u>91,669</u>
	<u>\$ 2,655,439</u>

Unified School District No. 460

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

4. GENERAL LONG-TERM DEBT

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Maturity Date	Balance 06-30-11	Additions	Retired	Balance 06-30-12	Interest Paid
General Obligation Bonds									
School Improvement									
Series 2002	4.00 - 5.00%	06/01/02	\$ 13,700,000	09/01/2015	\$ 1,190,000	-	570,000	620,000	37,625
Series 2006, Refunding	3.50 - 4.00%	02/14/06	8,085,000	09/01/2022	7,855,000	-	55,000	7,800,000	303,465
Series 2010, Refunding	.75 - 1.60%	12/01/10	2,405,000	09/01/2015	2,405,000	-	65,000	2,340,000	31,066
					<u>11,450,000</u>	<u>-</u>	<u>690,000</u>	<u>10,760,000</u>	<u>372,156</u>
Capital Lease Obligations									
Computer hardware	1.90%	06/15/11	785,437.00	07/15/14	510,016	-	166,816	343,200	9,690
Total Long-Term Debt					<u>\$11,960,016</u>	<u>-</u>	<u>856,816</u>	<u>11,103,200</u>	<u>381,846</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Year Ending June 30							Total
	2013	2014	2015	2016	2017	2018-2022	2023	
Principal								
General Obligation Bonds	\$ 730,000	785,000	820,000	870,000	880,000	5,380,000	1,295,000	10,760,000
Capital Lease Obligations	169,985	173,215	-	-	-	-	-	343,200
Total principal	<u>899,985</u>	<u>958,215</u>	<u>820,000</u>	<u>870,000</u>	<u>880,000</u>	<u>5,380,000</u>	<u>1,295,000</u>	<u>11,103,200</u>
Interest								
General Obligation Bonds	344,450	325,889	314,952	301,244	277,305	816,388	25,900	2,406,128
Capital Lease Obligations	6,521	3,291	-	-	-	-	-	9,812
Total interest	<u>350,971</u>	<u>329,180</u>	<u>314,952</u>	<u>301,244</u>	<u>277,305</u>	<u>816,388</u>	<u>25,900</u>	<u>2,415,940</u>
Total principal and interest	<u>\$1,250,956</u>	<u>1,287,395</u>	<u>1,134,952</u>	<u>1,171,244</u>	<u>1,157,305</u>	<u>6,196,388</u>	<u>1,320,900</u>	<u>13,519,140</u>

5. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et. seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4% to 6% of covered salary. Member-employees contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The contribution rate for the state for the period from July 1, 2011, through June 30, 2012, was 9.77% of covered payroll.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

5. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2012, 2011 and 2010 were \$298,635,383, \$253,834,044 and \$248,468,186 respectively, equal to the required contributions for each year.

6. COMPENSATED ABSENCES

Vacation

Full-time classified employees earn five days of paid vacation upon completion of one year of employment. From two through nine years of service, ten days of paid vacation is earned. After ten years of service, classified employees earn fifteen days of paid vacation per year. Vacation days cannot be accumulated. Certified employees earn no vacation. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Sick Leave

Classified and certified employees earn 15 days of paid sick leave each year which can be accumulated to a maximum of 45 days. Unused sick leave of up to 30 days is paid to terminating employees at the rate of \$10 per day. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

7. INTERFUND TRANSACTIONS

Operating transfers during the year ended June 30, 2012, were as follows:

	Transfers to		Transfers from		
		Total	General	Supplemental General	Revolving Materials
General	\$	6,000	-	-	6,000
At Risk (K-12)		317,506	-	317,506	-
Bilingual Education		43,972	-	43,972	-
Capital Outlay		244,265	244,265	-	-
Parent Education		5,000	-	5,000	-
Special Education		956,000	706,000	250,000	-
Vocational Education		200,000	-	200,000	-
		<u>\$1,772,743</u>	<u>950,265</u>	<u>816,478</u>	<u>6,000</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

8. PRIOR PERIOD ADJUSTMENT – STATE AID REVENUE RECOGNITION

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require, for budget purposes, that the District record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. For years ending prior to June 30, 2012, these July payments were recognized for financial statement reporting in the following year, when the cash payments were received. This policy was based on guidance from the Kansas Municipal Audit Guide (KMAG).

The proposed 2013 Kansas Municipal Audit and Accounting Guide (KMAG) considers these payments received subsequent to year-end to be a “receipt in transit”, and therefore should be recognized as a cash receipt and state aid revenue in the fiscal year that matches the budget to which it applies. The District has implemented this change for the year ended June 30, 2012, as allowed by KMAG Technical Amendment 2011-1. Accordingly, beginning fund equity at July 1, 2010 and 2011; as well as state aid revenue in the General and Supplemental General funds for the year ended June 30, 2011, have been restated to reflect this change in accounting policy.

The following schedules summarize the changes to fund equity at July 1, 2010 and 2011:

	<u>General</u>	<u>Supplemental General</u>
Unencumbered Cash, July 1, 2010		
As originally reported	\$ (473,119)	(147,165)
July 2010 payment previously reported as revenue for the year ended June 30, 2011	<u>473,121</u>	<u>184,722</u>
As restated	<u>\$ 2</u>	<u>37,557</u>
Unencumbered Cash, July 1, 2011		
As originally reported	\$ (423,407)	(27,051)
July 2011 payment previously reported as revenue for the year ended June 30, 2012	<u>423,407</u>	<u>54,396</u>
As restated	<u>\$ -</u>	<u>27,345</u>

9. OTHER POST EMPLOYMENT BENEFITS

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

10. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to June 30, 2012, to determine the need for any adjustment to and/or disclosures within the audited financial statements. Management has performed their analysis through October 8, 2012, which is the date at which the financial statements were available to be issued.