

UNIFIED SCHOOL DISTRICT NO. 448

INMAN, KANSAS

Special Financial Statements

June 30, 2012

Unified School District No. 448

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Unified School District No. 448  
Inman, Kansas 67546

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 448, Inman, 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 September 23, 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 separate 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 to the financial statements, 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; these 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. 448, Inman, 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. 448, Inman, 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 12, 2012

## Unified School District No. 448

## SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended June 30, 2012

FUNDS	Unencumbered Cash Balance * 06-30-11	Receipts	Expenditures and Transfers	Unencumbered Cash Balance 06/30/12	Liabilities and Encumbrances	Cash Balance 06/30/12
<b>General</b>						
General	\$ -	3,168,222	3,168,222	-	36,880	36,880
Supplemental general	66,404	1,086,514	1,081,920	70,998	10,000	80,998
<b>Special revenue</b>						
At risk (4 Yr Old)	-	59,090	59,090	-	-	-
At risk (K-12)	-	112,666	112,666	-	-	-
Bilingual education	-	11,543	11,543	-	-	-
Capital outlay	498,735	7,540	19,114	487,161	-	487,161
Driver training	7,647	7,934	8,082	7,499	-	7,499
Food service	50,778	202,846	203,625	49,999	-	49,999
Professional development	43,000	31,559	31,559	43,000	-	43,000
Special education	179,595	670,655	670,249	180,001	-	180,001
Vocational education	-	139,028	139,028	-	252	252
KPERS special retirement contribution	-	274,253	274,253	-	-	-
Contingency reserve	126,691	-	-	126,691	-	126,691
Recreation	10,810	24,865	23,800	11,875	-	11,875
Federal government programs	-	78,440	78,440	-	-	-
Activity gate receipts	19,381	57,791	64,805	12,367	-	12,367
School projects	11,655	13,084	14,689	10,050	-	10,050
<b>Debt service</b>						
Bond and interest	398,636	468,836	432,765	434,707	-	434,707
<b>Capital Project</b>						
2012 Bond issue project	-	4,535,004	93,587	4,441,417	78,521	4,519,938
<b>Fiduciary</b>						
Memorials and gifts	22,382	19,373	2,682	39,073	-	39,073
Student organizations	-	50,341	50,341	-	34,358	34,358
	<u>\$ 1,435,714</u>	<u>11,019,584</u>	<u>6,540,460</u>	<u>5,914,838</u>	<u>160,011</u>	<u>6,074,849</u>

\* As restated - See note 6

## Unified School District No. 448

SUMMARY STATEMENT OF EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2012

	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>General</b>						
General	\$ 3,130,596	(16,254)	53,880	3,168,222	3,168,222	-
Supplemental general	1,077,053	-	4,867	1,081,920	1,081,920	-
<b>Special revenue</b>						
At risk (4 Yr Old)	61,000	-	-	61,000	59,090	(1,910)
At risk (K-12)	120,000	-	-	120,000	112,666	(7,334)
Bilingual education	15,000	-	-	15,000	11,543	(3,457)
Capital outlay	108,000	-	-	108,000	19,114	(88,886)
Driver training	9,200	-	-	9,200	8,082	(1,118)
Food service	194,700	-	-	194,700	203,625	8,925
Professional development	39,000	-	-	39,000	31,559	(7,441)
Special education	723,538	-	-	723,538	670,249	(53,289)
Vocational education	158,000	-	-	158,000	139,028	(18,972)
KPERS special retirement contribution	282,964	-	-	282,964	274,253	(8,711)
Recreation	23,800	-	-	23,800	23,800	-
<b>Debt service</b>						
Bond and interest	432,813	-	-	432,813	432,765	(48)
	<u>\$ 6,375,664</u>	<u>(16,254)</u>	<u>58,747</u>	<u>6,418,157</u>	6,235,916	<u>(182,241)</u>
Add expenditures of unbudgeted funds						
Special revenue					157,934	
Capital project					93,587	
Fiduciary					<u>53,023</u>	
Total expenditures, Statement 1					<u>\$ 6,540,460</u>	

## Unified School District No. 448

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 Actual	2012		Variance Over (Under)
		Actual	Budget	
<b>GENERAL</b>				
Receipts				
Tax in process	\$ 15,983	17,378	7,964	9,414
Current tax	491,009	543,666	516,204	27,462
Delinquent tax	10,300	3,885	12,876	(8,991)
General state aid	2,168,122	2,058,903	2,081,694	(22,791)
State special education aid	468,274	489,028	505,432	(16,404)
Federal education jobs aid	102,394	1,482	-	1,482
Federal ARRA stabilization aid	58,478	-	-	-
Reimbursements	33,606	53,880	-	53,880
	<u>3,348,166</u>	<u>3,168,222</u>	<u>3,124,170</u>	<u>44,052</u>
Expenditures				
Instruction	1,582,806	1,568,990	1,410,292	158,698
Student support services	10,325	701	10,000	(9,299)
Instructional support services	4,403	120	2,700	(2,580)
General administration	260,407	196,869	250,000	(53,131)
School administration	194,571	197,931	195,000	2,931
Operation and maintenance	476,522	499,160	464,150	35,010
Student transportation	117,760	134,035	116,522	17,513
Other supplemental services	68,692	81,388	61,500	19,888
Operating transfers	632,680	489,028	620,432	(131,404)
	<u>3,348,166</u>	<u>3,168,222</u>	<u>3,130,596</u>	<u>37,626</u>
Adjustment to comply with legal max	-	-	(16,254)	16,254
Adjustment for qualifying budget credits	-	-	53,880	(53,880)
Total expenditures	<u>3,348,166</u>	<u>3,168,222</u>	<u>3,168,222</u>	<u>-</u>
Receipts over (under) expenditures	-	-	-	-
Unencumbered cash, beginning - As restated	-	-	-	-
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
<b>SUPPLEMENTAL GENERAL</b>				
Receipts				
Tax in process	\$ 20,188	22,207	10,199	12,008
Current tax	587,865	654,308	686,153	(31,845)
Delinquent tax	11,561	4,984	15,467	(10,483)
Vehicle tax	65,663	65,470	67,691	(2,221)
Supplemental state aid	422,106	334,678	322,628	12,050
Reimbursements	-	4,867	-	4,867
	<u>1,107,383</u>	<u>1,086,514</u>	<u>1,102,138</u>	<u>(15,624)</u>
Expenditures				
Instruction	479,887	504,360	482,553	21,807
Student support services	31,681	38,135	30,000	8,135
Operations and maintenance	2,000	182	2,000	(1,818)
Operating transfers	<u>579,810</u>	<u>539,243</u>	<u>562,500</u>	<u>(23,257)</u>
	1,093,378	1,081,920	1,077,053	4,867
Adjustment for qualifying budget credits	-	-	4,867	(4,867)
Total expenditures	<u>1,093,378</u>	<u>1,081,920</u>	<u>1,081,920</u>	<u>-</u>
Receipts over (under) expenditures	14,005	4,594		
Unencumbered cash, beginning - As restated	<u>52,399</u>	<u>66,404</u>		
Unencumbered cash, ending	<u>\$ 66,404</u>	<u>70,998</u>		

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
<b>AT RISK (4 YR OLD)</b>				
Receipts				
Transfers from other funds	\$ 51,625	59,090	52,000	7,090
Expenditures				
Instruction				
Salaries and benefits	51,486	56,788	60,000	(3,212)
Other	139	2,302	1,000	1,302
	51,625	59,090	61,000	(1,910)
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	\$ -	-		
<b>AT RISK (K-12)</b>				
Receipts				
Transfers from other funds	\$ 114,843	112,666	115,000	(2,334)
Expenditures				
Instruction				
Salaries and benefits	114,843	101,166	111,000	(9,834)
Other	-	11,500	9,000	2,500
	114,843	112,666	120,000	(7,334)
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	\$ -	-		
<b>BILINGUAL EDUCATION</b>				
Receipts				
Transfers from other funds	\$ 14,406	11,543	15,000	(3,457)
Expenditures				
Instruction				
Salaries and benefits	14,406	11,543	15,000	(3,457)
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	\$ -	-		

See notes to financial statements

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
<b>CAPITAL OUTLAY</b>				
Receipts				
Delinquent tax	\$ 188	68	-	68
Vehicle tax	3,509	-	-	-
Interest	6,665	4,693	7,000	(2,307)
Sale of property and other	12,683	2,779	15,000	(12,221)
Transfers from other funds	148,043	-	100,000	(100,000)
	<u>171,088</u>	<u>7,540</u>	<u>122,000</u>	<u>(114,460)</u>
Expenditures				
Equipment and furniture	-	19,114	-	19,114
Construction and remodeling	43,328	-	88,000	(88,000)
Architectual services and other	-	-	20,000	(20,000)
	<u>43,328</u>	<u>19,114</u>	<u>108,000</u>	<u>(88,886)</u>
Receipts over (under) expenditures	127,760	(11,574)		
Unencumbered cash, beginning	370,975	498,735		
Unencumbered cash, ending	<u>\$ 498,735</u>	<u>487,161</u>		
<b>DRIVER TRAINING</b>				
Receipts				
State aid	\$ 2,368	2,538	2,960	(422)
Other	5,167	4,692	6,500	(1,808)
Transfers from other funds	-	704	-	704
	<u>7,535</u>	<u>7,934</u>	<u>9,460</u>	<u>(1,526)</u>
Expenditures				
Instruction				
Salaries and benefits	8,713	6,882	8,000	(1,118)
Other	591	1,200	1,200	-
	<u>9,304</u>	<u>8,082</u>	<u>9,200</u>	<u>(1,118)</u>
Receipts over (under) expenditures	(1,769)	(148)		
Unencumbered cash, beginning	9,416	7,647		
Unencumbered cash, ending	<u>\$ 7,647</u>	<u>7,499</u>		

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
<b>FOOD SERVICE</b>				
Receipts				
Lunch sales	\$ 120,054	122,750	122,727	23
Federal aid	57,929	66,907	57,620	9,287
State aid	2,722	2,809	2,193	616
Other	-	44	-	44
Transfers from other funds	1,957	10,336	7,500	2,836
	<u>182,662</u>	<u>202,846</u>	<u>190,040</u>	<u>12,806</u>
Expenditures				
Food service operations				
Salaries and benefits	82,991	87,179	83,200	3,979
Food and supplies	103,696	110,118	110,000	118
Equipment	258	3,439	500	2,939
Other	1,424	2,889	1,000	1,889
	<u>188,369</u>	<u>203,625</u>	<u>194,700</u>	<u>8,925</u>
Receipts over (under) expenditures	(5,707)	(779)		
Unencumbered cash, beginning	<u>56,485</u>	<u>50,778</u>		
Unencumbered cash, ending	<u>\$ 50,778</u>	<u>49,999</u>		
<b>PROFESSIONAL DEVELOPMENT</b>				
Receipts				
Other	\$ 300	600	-	600
Transfers from other funds	32,517	30,959	40,000	(9,041)
	<u>32,817</u>	<u>31,559</u>	<u>40,000</u>	<u>(8,441)</u>
Expenditures				
Instructional support				
Salaries and benefits	-	27,492	7,500	19,992
Purchased services and other	32,817	4,067	31,500	(27,433)
	<u>32,817</u>	<u>31,559</u>	<u>39,000</u>	<u>(7,441)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>43,000</u>	<u>43,000</u>		
Unencumbered cash, ending	<u>\$ 43,000</u>	<u>43,000</u>		

See notes to financial statements

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
<b>SPECIAL EDUCATION</b>				
Receipts				
Transfers from other funds	\$ 660,298	665,326	695,432	(30,106)
Other	5,361	5,329	5,000	329
	<u>665,659</u>	<u>670,655</u>	<u>700,432</u>	<u>(29,777)</u>
Expenditures				
Instruction				
Payments to Special Education Coop	640,729	642,153	697,388	(55,235)
Student Transportation				
Salaries and benefits	13,745	21,364	18,400	2,964
Other	6,590	6,732	7,750	(1,018)
	<u>661,064</u>	<u>670,249</u>	<u>723,538</u>	<u>(53,289)</u>
Receipts over (under) expenditures	4,595	406		
Unencumbered cash, beginning	175,000	179,595		
Unencumbered cash, ending	<u>\$ 179,595</u>	<u>180,001</u>		
<b>VOCATIONAL EDUCATION</b>				
Receipts				
Transfers from other funds	\$ 188,801	137,647	158,000	(20,353)
Reimbursements -				
Grants and other	2,050	1,381	-	1,381
	<u>190,851</u>	<u>139,028</u>	<u>158,000</u>	<u>(18,972)</u>
Expenditures				
Instruction				
Salaries and benefits	170,760	130,410	136,000	(5,590)
Tuition	9,344	2,934	10,000	(7,066)
Supplies	6,177	2,903	6,500	(3,597)
Equipment	80	1,298	4,500	(3,202)
Other	4,490	1,483	1,000	483
	<u>190,851</u>	<u>139,028</u>	<u>158,000</u>	<u>(18,972)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

See notes to financial statements

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
<b>KPERS SPECIAL</b>				
<b>RETIREMENT CONTRIBUTION</b>				
Receipts				
State KPERS aid	\$ 157,202	274,253	<u>282,964</u>	<u>(8,711)</u>
Expenditures				
Employee benefits	<u>157,202</u>	<u>274,253</u>	<u>282,964</u>	<u>(8,711)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		
<b>CONTINGENCY RESERVE</b>				
Receipts	\$ -	-		
Expenditures	<u>-</u>	<u>-</u>	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>126,691</u>	<u>126,691</u>		
Unencumbered cash, ending	<u>\$ 126,691</u>	<u>126,691</u>		
<b>RECREATION</b>				
Receipts				
Tax in process	\$ 681	748	343	405
Current tax	19,803	21,733	20,718	1,015
Delinquent tax	442	176	522	(346)
Vehicle tax	<u>2,410</u>	<u>2,208</u>	<u>2,287</u>	<u>(79)</u>
	23,336	24,865	<u>23,870</u>	<u>995</u>
Expenditures				
Appropriation to recreation commission	<u>22,350</u>	<u>23,800</u>	<u>23,800</u>	<u>-</u>
Receipts over (under) expenditures	986	1,065		
Unencumbered cash, beginning	<u>9,824</u>	<u>10,810</u>		
Unencumbered cash, ending	<u>\$ 10,810</u>	<u>11,875</u>		

See notes to financial statements

Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET\*

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

	2012			Total	2011 Total
	Title I ESEA	Title II-A Teacher Quality	REAP Grant		
<b>FEDERAL GOVERNMENT PROGRAMS</b>					
Receipts					
Federal aid	\$ 31,068	9,688	37,684	78,440	98,936
Expenditures					
Salaries and benefits	30,568	8,634	36,036	75,238	86,737
Equipment	-	-	-	-	8,033
Purchased contractual services	-	1,054	-	1,054	1,199
Supplies and other	500	-	1,648	2,148	2,967
	<u>31,068</u>	<u>9,688</u>	<u>37,684</u>	<u>78,440</u>	<u>98,936</u>
Receipts over (under) expenditures	-	-	-	-	-
Unencumbered cash, beginning	-	-	-	-	-
Unencumbered cash, ending	\$ -	-	-	-	-

\* Legally adopted budget not applicable

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2012

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

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
<b>BOND AND INTEREST</b>				
Receipts				
Tax in process	\$ 9,721	10,501	4,821	5,680
Current tax	278,046	346,034	330,201	15,833
Delinquent tax	6,991	2,622	7,315	(4,693)
Vehicle tax	36,351	31,402	32,412	(1,010)
Accrued interest on bond issue	-	5,928	-	5,928
State aid	107,658	72,349	73,570	(1,221)
	<u>438,767</u>	<u>468,836</u>	<u>448,319</u>	<u>20,517</u>
Expenditures				
Principal	380,000	405,000	405,000	-
Interest	50,629	27,763	27,763	-
Commissions and fees	4	2	50	(48)
	<u>430,633</u>	<u>432,765</u>	<u>432,813</u>	<u>(48)</u>
Receipts over (under) expenditures	8,134	36,071		
Unencumbered cash, beginning	<u>390,502</u>	<u>398,636</u>		
Unencumbered cash, ending	<u>\$ 398,636</u>	<u>434,707</u>		
 <b>2012 BOND ISSUE PROJECT</b>				
Receipts				
Bond proceeds	\$ -	4,535,000		
Interest	-	4		
	<u>-</u>	<u>4,535,004</u>		
Expenditures				
Parking lot construction	-	20,591	NOT APPLICABLE	
Commissions and fees	-	72,996		
	<u>-</u>	<u>93,587</u>		
Receipts over (under) expenditures	-	4,441,417		
Unencumbered cash, beginning	<u>-</u>	<u>-</u>		
Unencumbered cash, ending	<u>\$ -</u>	<u>4,441,417</u>		

See notes to financial statements

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>MEMORIALS AND GIFTS</b>		
Receipts	\$ 19,373	9,681
Disbursements	<u>2,682</u>	<u>2,839</u>
Receipts over (under) disbursements	16,691	6,842
Cash balance, beginning	<u>22,382</u>	<u>15,540</u>
Cash balance, ending	<u>\$ 39,073</u>	<u>22,382</u>

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
School Activity Funds

Year ended June 30, 2012

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
<b>ACTIVITY GATE RECEIPTS</b>				
High school activities	\$ 19,140	54,980	62,108	12,012
Grade school activities	241	2,811	2,697	355
Totals to Statement 1	<u>\$ 19,381</u>	<u>57,791</u>	<u>64,805</u>	<u>12,367</u>
 <b>SCHOOL PROJECTS</b>				
High school				
Scholarships	\$ 3,727	1,660	3,177	2,210
Other	4,950	7,284	5,784	6,450
Grade school				
Box top fund	2,697	3,566	5,426	837
Yearbook	-	373	-	373
Other	281	201	302	180
Totals to Statement 1	<u>\$ 11,655</u>	<u>13,084</u>	<u>14,689</u>	<u>10,050</u>
 <b>STUDENT ORGANIZATIONS</b>				
High school	\$ 31,461	44,646	43,542	32,565
Grade school	1,914	5,695	5,816	1,793
Total cash basis activity	33,375	50,341	49,358	34,358
Adjustments for encumbrances				
June 30, 2011	(33,375)	-	(33,375)	-
June 30, 2012	-	-	34,358	(34,358)
Totals to Statement 1	<u>\$ -</u>	<u>50,341</u>	<u>50,341</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 448, Inman, Kansas, is a municipal corporation governed by an elected seven-member board. These financial statements present USD No. 448 (the primary government) as the only component unit.

In addition to the primary government, the Inman 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 Descriptions

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.

Capital Project Fund - to account for financial resources segregated for the acquisition of major capital facilities.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Departure from Generally Accepted Accounting Principles

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 generally accepted accounting principles (GAAP), 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 GAAP. Capital assets that account for the land, building, and equipment owned by the municipality 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 funds which results in the activity funds being accounted for under policies and procedures of the Board. In these financial statements, District funds held in school activity accounts are classified as special revenue funds, while student organizations are classified as fiduciary funds.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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), and debt service 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.

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 budget was amended for the following funds – General, At Risk (4 year old), and At Risk (K-12).

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. The “legal max” budget for the year ended June 30, 2012, was \$3,114,342, before taking into consideration items that qualify as budget credits.

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

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

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

- Federal government programs
- Contingency reserve
- 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 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.

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, all District funds were held in bank deposits.

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 \$6,074,849. The bank balance totaled \$6,071,280. 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 \$5,821,280 collateralized with securities and letters of credit held by the pledging financial institutions' agents in the District's name.

Composition of Cash

Farmers National Bank, Inman

Time deposits	
NOW account	\$ 1,469,909
Bond issue account	4,540,932
High school activity fund	53,237
Don Kimble memorial account	<u>2,012</u>
Total time deposits	<u>6,066,090</u>
Demand deposits	
TTL account	500
Debit card account	803
Grade school activity fund	3,538
District petty cash	<u>3,918</u>
Total demand deposits	<u>8,759</u>
Total cash	<u>\$ 6,074,849</u>

Unified School District No. 448

NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

4. CAPITAL PROJECTS

In June of 2012, the District issued \$4,535,000 in general obligation bonds to finance capital improvement projects within the District.

Project Authorization

Capital projects authorizations compared to actual expenditures since the beginning of the project are as follows:

	<u>Project Authorization</u>	<u>Expenditures to Date</u>	<u>Excess Authorizatoin</u>
Parking lot/Grade school building construction	<u>\$ 4,535,000</u>	<u>93,587</u>	<u>4,441,413</u>

5. GENERAL LONG-TERM DEBT

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

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 6-30-11</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6-30-12</u>	<u>Interest Paid</u>
General Obligation Bonds:									
School improvement									
Series 1997B	4.40-5.25%	7/1/1997	\$4,000,000	9/1/2013	\$ 390,000	-	390,000	-	11,603
Refunding issue									
Series 2004	2.00-3.20%	1/21/2004	2,080,000	9/1/2013	540,000	-	15,000	525,000	16,160
School improvement									
Series 2012	1.40-2.35%	6/1/2012	4,535,000	9/1/2025	-	<u>4,535,000</u>	-	<u>4,535,000</u>	-
					930,000	4,535,000	405,000	5,060,000	27,763
Capital Lease:									
Apple Inc. lease	0.90%	6/14/2011	101,460	7/20/2012	50,503	-	-	50,503	-
Totals					<u>\$ 980,503</u>	<u>4,535,000</u>	<u>405,000</u>	<u>5,110,503</u>	<u>27,763</u>

Current maturities of long-term debt and interest through maturity are as follows:

<u>Period ending June 30</u>	<u>G.O. Bonds</u>		<u>Capital Lease</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
2013	\$ 425,000	68,851	50,503	454	544,808
2014	300,000	79,135	-	-	379,135
2015	320,000	73,635	-	-	393,635
2016	325,000	68,798	-	-	393,798
2017	335,000	64,015	-	-	399,015
2018-2022	1,775,000	245,385	-	-	2,020,385
2022-2025	1,580,000	72,600	-	-	1,652,600
Total	<u>\$ 5,060,000</u>	<u>672,419</u>	<u>50,503</u>	<u>454</u>	<u>5,783,376</u>

NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

6. 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 (KMAAG) 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, the 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 schedule summarizes these 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	\$ (265,043)	(33,795)
July 2010 payment previously reported as revenue for the year ended June 30, 2011	<u>265,043</u>	<u>86,194</u>
As restated	<u>\$ -</u>	<u>52,399</u>
Unencumbered Cash, July 1, 2011		
As originally reported	\$ (198,616)	41,326
July 2011 payment previously reported as revenue for the year ended June 30, 2012	<u>198,616</u>	<u>25,078</u>
As restated	<u>\$ -</u>	<u>66,404</u>

7. DEFINED BENEFIT PENSION PLAN

Plan Description

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

7. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4.0 to 6.0% 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. For the year ended June 30, 2012, the State of Kansas contributed 9.77% of covered payroll.

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

8. COMPENSATED ABSENCES

The District's personnel policies grant compensated absences in the form of vacation, sick days and personal leave days for each school year. Classified full-time staff meeting length of service requirements are allowed two to three weeks paid vacation which may not be accumulated. Certified staff are not granted paid vacation time. Personal leave and sick days are granted annually to all personnel. The District allows certified staff to accumulate sick days up to 100 days, classified staff up to 65 days. After ten years of service it is the District's policy to pay, at separation of service, \$5 per accumulated day.

The District's liability for unused vacation time and accumulated personal and sick days at June 30, 2012 has not been recorded in these financial statements.

9. INTERFUND TRANSFERS

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

	Transfer to		Transfer from	
		Total	General	Supplemental General
At Risk (4 Yr Old)	\$	59,090	-	59,090
At Risk (K-12)		112,666	-	112,666
Bilingual Education		11,543	-	11,543
Driver Training		704	-	704
Food Service		10,336	-	10,336
Professional Development		30,959	-	30,959
Special Education		665,326	489,028	176,298
Vocational Education		137,647	-	137,647
		\$ 1,028,271	489,028	539,243

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other school districts in the State to participate in Kansas Association of School Boards (KASB) Risk Management Services, a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The District pays an annual premium to KASB Risk Management Services for its workers compensation insurance coverage. The agreement to participate provides that KASB Risk Management Services will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000 for each insured event.

The District continues to carry commercial insurance for all other risks of loss, including liability, property, inland marine, linebacker, and fleet coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. COMPLIANCE WITH KANSAS STATUTES

Budget Violation

The District was not in compliance with K.S.A. 79-2935, which limits fund expenditures to the appropriated budget, in the Food Service fund.

12. 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 adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through October 12, 2012, which is the date at which the financial statements were available to be issued.