

**UNIFIED SCHOOL DISTRICT NO. 269**

Palco, Kansas

Independent Audit Report

July 1, 2009 to June 30, 2010

**MAPES & MILLER**

Certified Public Accountants

Norton, Kansas

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

Financial Statements

For the Year Ended June 30, 2010

TABLE OF CONTENTS

FINANCIAL SECTION

Page  
Number

Independent Auditor's Report	1
STATEMENT 1	
Summary of Cash Receipts, Expenditures, and Unencumbered Cash	3
Composition of Cash	4
STATEMENT 2	
Summary of Expenditures – Actual and Budget (Budgeted Funds Only)	5
STATEMENT 3	
Statement of Cash Receipts and Expenditures – Actual and Budget	
General	6
Supplemental General	8
At Risk (4 Year Old)	9
At Risk (K-12)	10
Capital Outlay	11
Driver Training	12
Food Service	13
Professional Development	14
Special Education	15
Vocational Education	16
KPERs Special Retirement Contribution	17
Recreation Commission	18
Federal Funds	19
Statement of Cash Receipts and Expenditures – Actual	
Textbook and Student Material Revolving	20
Contingency Reserve	20
Gifts and Grants	20
STATEMENT 4	
Statement of Cash Receipts and Cash Disbursements - Actual	
Agency Funds	21
STATEMENT 5	
Statement of Cash Receipts, Expenditures, and Unencumbered Cash	
District Activity Funds	22
Notes to the Financial Statements	23

# MAPES & MILLER

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## INDEPENDENT AUDITOR'S REPORT

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Palco, Kansas 67657

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We have audited the accompanying financial statements of Unified School District No. 269, Palco, Kansas, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the District's primary government, 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance 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 units. Accounting principles generally accepted in the United States of America require the financial data for those component units 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 units, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the Unified School District No. 269, Palco, Kansas 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 the regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the omission of the discretely presented component units, 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 the Unified School District No. 269, Palco, Kansas, as of June 30, 2010, or changes in financial position for the year then ended.

To the Board of Education  
Unified School District No. 269  
Page Two

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. 269, Palco, Kansas as of June 30, 2010, and their respective cash receipts and expenditures and budgetary comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the governing body and management of the Unified School District No. 269, Palco, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports and other Federal and State Agencies to whose jurisdiction the District is subject, and should not be used for any other purpose. This restriction is not intended to limit distribution of this report, which, upon acceptance by the Board of Education, is a matter of public record.

## Mapes & Miller

Certified Public Accountants

Norton, Kansas  
February 14, 2011

**UNIFIED SCHOOL DISTRICT NO. 269**

Palco, Kansas

STATEMENT 1

Page 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Fiscal Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General	\$ (43,433)	3,696	1,671,534	1,659,888	(28,091)	12,690	(15,401)
Supplemental General	50,006	0	502,802	501,600	51,208	5,492	56,700
Special Revenue							
At Risk (4 Year Old)	0	0	8,024	8,024	0	0	0
At Risk (K-12)	0	0	107,923	107,923	0	0	0
Capital Outlay	764,181	120	299,443	406,768	656,976	275,356	932,332
Driver Training	1,910	0	2,508	2,259	2,159	0	2,159
Food Service	43,013	189	118,102	115,316	45,988	0	45,988
Professional Development	5,000	65	8,442	8,442	5,065	0	5,065
Special Education	88,449	0	294,623	309,942	73,130	0	73,130
Vocational Education	812	11	80,915	81,483	255	60	315
KPERS Special Retirement Contribution Fund	0	0	47,790	93,447	(45,657)	0	(45,657)
Recreation Commission	136	0	31,067	31,203	0	0	0
Federal Funds	1,076	659	54,765	56,500	0	6,300	6,300
Textbook and Student Material Revolving	464	0	22,255	7,719	15,000	5,698	20,698
Contingency Reserve	177,247	0	0	0	177,247	0	177,247
Gifts and Grants	0	479	22,414	22,893	0	7,879	7,879
District Activity	6,000	0	23,341	22,117	7,224	0	7,224
Total Reporting Entity (Excluding Agency Funds)	\$ <u>1,094,861</u>	<u>5,219</u>	<u>3,295,948</u>	<u>3,435,524</u>	<u>960,504</u>	<u>313,475</u>	<u>1,273,979</u>

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

Composition of Cash

For the Year Ended June 30, 2010

STATEMENT 1

Page 2

Midwest Community Bank, Palco, Kansas	
NOW Account	\$ 1,266,755
Checking Accounts	<u>53,560</u>
 Total Cash	 1,320,315
 Agency Funds per Statement 4	 <u>(46,336)</u>
 Total Reporting Entity (Excluding Agency Funds)	 \$ <u><u>1,273,979</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 2

Palco, Kansas

Summary of Expenditures - Actual and Budget  
(Budgeted Funds Only)

For the Year Ended June 30, 2010

Description	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)
Governmental Type Funds:						
General	\$ 1,696,480	(56,776)	20,184	1,659,888	1,659,888	0
Supplemental General	533,575	0	0	533,575	501,600	(31,975)
Special Revenue						
At Risk (4 Year Old)	10,000	0	0	10,000	8,024	(1,976)
At Risk (K-12)	100,000	0	0	100,000	107,923	7,923
Capital Outlay	517,500	0	0	517,500	406,768	(110,732)
Driver Training	2,259	0	0	2,259	2,259	0
Food Service	160,211	0	0	160,211	115,316	(44,895)
Professional Development	10,000	0	0	10,000	8,442	(1,558)
Special Education	309,941	0	0	309,941	309,942	1
Vocational Education	102,161	0	0	102,161	81,483	(20,678)
KPERs Special Retirement Contribution Fund	101,189	0	0	101,189	93,447	(7,742)
Recreation Commission	32,000	0	0	32,000	31,203	(797)

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 3

Palco, Kansas

Page 1

General Fund

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 1,995	28,060	(26,065)
Current Tax	598,171	582,299	15,872
Delinquent Tax	1,912	9,225	(7,313)
General State Aid	695,719	787,282	(91,563)
Federal ARRA Stabilization Aid	76,531	76,531	0
Special Education Aid	250,835	212,143	38,692
Mineral Tax	26,187	0	26,187
Reimbursed Expenses	<u>20,184</u>	<u>0</u>	<u>20,184</u>
 Total Cash Receipts	 <u>1,671,534</u>	 <u>1,695,540</u>	 <u>(24,006)</u>
Expenditures:			
Instruction	541,400	544,694	(3,294)
Student Support Services	7,837	2,000	5,837
Instructional Support Staff	12,250	34,699	(22,449)
General Administration	149,471	159,410	(9,939)
School Administration	162,951	171,976	(9,025)
Operations and Maintenance	158,986	199,800	(40,814)
Student Transportation Services	97,843	109,160	(11,317)
Transfer to Special Education	294,623	258,741	35,882
Transfer to Capital Outlay	14,205	0	14,205
Transfer to Vocational Education	48,190	70,000	(21,810)
Transfer to At Risk (4 Year Old)	8,024	5,000	3,024
Transfer to At Risk (K-12)	107,923	100,000	7,923
Transfer to Food Service	28,957	35,000	(6,043)
Transfer to Professional Development	8,063	5,000	3,063
Transfer to Textbook & Student Material Revolving	17,207	0	17,207
Transfer to Driver Training	1,958	1,000	958
Adjustment to Comply with Legal Max			
Legal General Fund Budget	<u>0</u>	<u>(56,776)</u>	<u>56,776</u>
 Total Legal General Fund Budget	 1,659,888	 1,639,704	 20,184

(Continued)

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 2

General Fund

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

(Continued)	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Adjustment for Qualifying Budget Credits:			
Reimbursed Expenses	\$ <u>0</u>	<u>20,184</u>	<u>(20,184)</u>
 Total Expenditures	 <u>1,659,888</u>	 <u><b>1,659,888</b></u>	 <u><b>0</b></u>
 Cash Receipts Over (Under) Expenditures	 11,646		
Unencumbered Cash, Beginning	(43,433)		
Prior Year Cancelled Encumbrances	<u>3,696</u>		
 Unencumbered Cash, Ending	 \$ <u><b>(28,091)</b></u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 3

Supplemental General Fund

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Tax in Process	\$ 1,279	17,008	(15,729)
Current Tax	488,514	448,859	39,655
Delinquent Tax	1,005	4,990	(3,985)
Motor Vehicle Tax	11,789	11,499	290
Recreational Vehicle Tax	<u>215</u>	<u>306</u>	<u>(91)</u>
Total Cash Receipts	<u>502,802</u>	<u>482,662</u>	<u>20,140</u>
Expenditures:			
Instruction	413,840	409,010	4,830
Instructional Support Staff	500	3,500	(3,000)
General Administration	357	1,065	(708)
Operations and Maintenance	<u>86,903</u>	<u>120,000</u>	<u>(33,097)</u>
Total Expenditures	<u>501,600</u>	<u>533,575</u>	<u>(31,975)</u>
Cash Receipts Over (Under) Expenditures	1,202		
Unencumbered Cash, Beginning	<u>50,006</u>		
Unencumbered Cash, Ending	\$ <u>51,208</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 4

At Risk Fund (4 Year Old)

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Interest on Idle Funds	\$ 0	4,000	(4,000)
Transfer from General	<u>8,024</u>	<u>5,000</u>	<u>3,024</u>
Total Cash Receipts	<u>8,024</u>	<u>9,000</u>	<u>(976)</u>
Expenditures:			
Instruction	<u>8,024</u>	<u>10,000</u>	<u>(1,976)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

At Risk Fund (K-12)

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

STATEMENT 3

Page 5

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Transfer from General	\$ <u>107,923</u>	<u>100,000</u>	<u>7,923</u>
Expenditures:			
Instruction	97,863	88,140	9,723
Instructional Support Staff	<u>10,060</u>	<u>11,860</u>	<u>(1,800)</u>
Total Expenditures	<u>107,923</u>	<u>100,000</u>	<u>7,923</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

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

## UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 3

Palco, Kansas

Page 6

**Capital Outlay Fund**Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 960	13,289	(12,329)
Current Tax	244,890	239,047	5,843
Delinquent Tax	931	3,775	(2,844)
Motor Vehicle Tax	7,967	7,820	147
Recreational Vehicle Tax	150	209	(59)
Interest on Idle Funds	170	0	170
Other Revenue - Local Sources	30,170	0	30,170
Transfer from General	14,205	0	14,205
	<u>299,443</u>	<u>264,140</u>	<u>35,303</u>
Total Cash Receipts			
Expenditures:			
Instruction	14,888	150,000	(135,112)
Student Support Services	0	30,000	(30,000)
Instructional Support Staff	0	7,500	(7,500)
General Administration	0	7,500	(7,500)
School Administration	4,541	7,500	(2,959)
Central Services	0	7,500	(7,500)
Operations and Maintenance	0	7,500	(7,500)
Transportation	0	100,000	(100,000)
Facilities Acquisition and Construction	387,339	200,000	187,339
	<u>406,768</u>	<u>517,500</u>	<u>(110,732)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	(107,325)		
Unencumbered Cash, Beginning	764,181		
Prior Year Cancelled Encumbrances	<u>120</u>		
Unencumbered Cash, Ending	\$ <u>656,976</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 7

Driver Training Fund

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
State Aid	\$ 550	0	550
Transfer from General	<u>1,958</u>	<u>1,000</u>	<u>958</u>
Total Cash Receipts	<u>2,508</u>	<u>1,000</u>	<u>1,508</u>
Expenditures:			
Instruction	<u>2,259</u>	<u>2,259</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	249		
Unencumbered Cash, Beginning	<u>1,910</u>		
Unencumbered Cash, Ending	\$ <u>2,159</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

Food Service Fund

STATEMENT 3

Page 8

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Federal Aid	\$ 51,673	44,296	7,377
State Aid	964	1,103	(139)
Food Service	34,705	36,777	(2,072)
Interest on Idle Funds	1,730	0	1,730
Reimbursed Expenses	73	0	73
Transfer from General	<u>28,957</u>	<u>35,000</u>	<u>(6,043)</u>
Total Cash Receipts	<u>118,102</u>	<u>117,176</u>	<u>926</u>
Expenditures:			
Operations and Maintenance	6,692	5,000	1,692
Food Service Operation	<u>108,624</u>	<u>155,211</u>	<u>(46,587)</u>
Total Expenditures	<u>115,316</u>	<u>160,211</u>	<u>(44,895)</u>
Cash Receipts Over (Under) Expenditures	2,786		
Unencumbered Cash, Beginning	43,013		
Cancelled Prior Year Encumbrances	<u>189</u>		
Unencumbered Cash, Ending	\$ <u>45,988</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 9

Professional Development Fund

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Other Revenue - Local Sources	\$ 379	0	379
Transfer from General	<u>8,063</u>	<u>5,000</u>	<u>3,063</u>
Total Cash Receipts	<u>8,442</u>	<u>5,000</u>	<u>3,442</u>
Expenditures:			
Instructional Support Staff	<u>8,442</u>	<u>10,000</u>	<u>(1,558)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	5,000		
	<u>65</u>		
Unencumbered Cash, Ending	\$ <u>5,065</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 10

Special Education Fund

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General	\$ 294,623	258,741	35,882
Transfer from Supplemental General	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Receipts	<u>294,623</u>	<u>258,741</u>	<u>35,882</u>
Expenditures:			
Instruction	309,942	304,220	5,722
Instructional Support Staff	<u>0</u>	<u>5,721</u>	<u>(5,721)</u>
Total Expenditures	<u>309,942</u>	<u>309,941</u>	<u>1</u>
Cash Receipts Over (Under) Expenditures	(15,319)		
Unencumbered Cash, Beginning	88,449		
Cancelled Prior Year Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u><u>73,130</u></u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 11

Vocational Education Fund

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Salary Reimbursement	\$ 32,725	0	32,725
Transfer from General	<u>48,190</u>	<u>70,000</u>	<u>(21,810)</u>
Total Cash Receipts	<u>80,915</u>	<u>70,000</u>	<u>10,915</u>
Expenditures:			
Instruction	81,392	69,436	11,956
Operations and Maintenance	91	0	91
Adjustment for Qualifying Budget Credit:			
Salary Reimbursement	<u>0</u>	<u>32,725</u>	<u>(32,725)</u>
Total Expenditures	<u>81,483</u>	<u>102,161</u>	<u>(20,678)</u>
Cash Receipts Over (Under) Expenditures	(568)		
Unencumbered Cash, Beginning	812		
Cancelled Prior Year Encumbrances	<u>11</u>		
Unencumbered Cash, Ending	\$ <u>255</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

**KPERS Special Retirement Contribution Fund**

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
State of Kansas	\$ 47,790	<u>101,189</u>	<u>0</u>
Expenditures:			
Instruction	59,806	64,761	(4,955)
General Administration	2,803	3,036	(233)
School Administration	11,214	12,143	(929)
Student Transportation	7,476	8,095	(619)
Food Service	<u>12,148</u>	<u>13,154</u>	<u>(1,006)</u>
Total Expenditures	<u>93,447</u>	<u>101,189</u>	<u>(7,742)</u>
Cash Receipts Over (Under) Expenditures	(45,657)		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>(45,657)</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 13

Recreation Commission Fund

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 119	1,350	(1,231)
Current Tax	30,609	29,887	722
Delinquent Tax	20	475	(455)
Motor Vehicle Tax	310	334	(24)
Recreational Vehicle Tax	<u>9</u>	<u>9</u>	<u>0</u>
Total Cash Receipts	<u>31,067</u>	<u>32,055</u>	<u>(988)</u>
Expenditures:			
Community Service Operations	<u>31,203</u>	<u>32,000</u>	<u>(797)</u>
Cash Receipts Over (Under) Expenditures	(136)		
Unencumbered Cash, Beginning	<u>136</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

Federal Funds

Statement of Cash Receipts and Expenditures-Actual and Budget  
For the Year Ended June 30, 2010

STATEMENT 3

Page 14

	Title I	Title II Part A	Title II Part D	Title VI Part B	ARRA Title I	ARRA Title II D	Small Rural Schools	Totals	Budget*	Variance Over (Under)
Cash Receipts:										
Federal Aid	\$ 17,000	6,000	200	11,651	2,000	100	17,814	54,765	47,006	7,759
Expenditures:										
Instruction	18,735	6,000	200	11,651	2,000	100	17,814	56,500	47,584	8,916
Cash Receipts Over (Under) Expenditures	(1,735)	0	0	0	0	0	0	(1,735)		
Unencumbered Cash, Beginning	1,076	0	0	0	0	0	0	1,076		
Prior Year Cancelled Encumbrances	659	0	0	0	0	0	0	659		
Unencumbered Cash, Ending	\$ 0	0	0	0	0	0	0	0		

\* Federal Funds are not required by statute to be budgeted. This statement is for informational purposes only.

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

**UNIFIED SCHOOL DISTRICT NO. 269**  
Palco, Kansas  
Any Non-budgeted Fund  
Statement of Cash Receipts and Expenditures  
Actual  
For the Year Ended June 30, 2010

	<u>Textbook and Student Material Revolving Fund</u>	<u>Contingency Reserve Fund</u>	<u>Gifts and Grants Fund</u>
Cash Receipts:			
Rental Fees and Books	\$ 5,048	0	0
Contributions/Donations	0	0	22,414
Transfer from General	<u>17,207</u>	<u>0</u>	<u>0</u>
 Total Cash Receipts	 <u>22,255</u>	 <u>0</u>	 <u>22,414</u>
Expenditures:			
Instruction - Textbooks	7,719	0	0
Instruction - Property	<u>0</u>	<u>0</u>	<u>22,893</u>
 Total Expenditures	 <u>7,719</u>	 <u>0</u>	 <u>22,893</u>
Cash Receipts Over (Under) Expenditures	14,536	0	(479)
Unencumbered Cash, Beginning	464	177,247	0
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>479</u>
 Unencumbered Cash, Ending	 <u>\$ 15,000</u>	 <u>177,247</u>	 <u>0</u>

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 4

Palco, Kansas

Agency Funds

Statement of Cash Receipts and Cash Disbursements - Actual  
For the Year Ended June 30, 2010

Fund	Beginning Cash Balance	Cash Receipts	Cash Disburse- ments	Ending Cash Balance
Student Organization Funds:				
High School:				
FFA	\$ 7,399	11,551	8,967	9,983
KAYS	521	5,366	5,565	322
Student Council	4,087	27,840	26,096	5,831
Class of 2009	1,452	105	1,257	300
Class of 2010	3,158	1,805	3,817	1,146
Class of 2011	5,671	6,941	7,491	5,121
Class of 2012	4,522	4,208	1,422	7,308
Class of 2013	0	3,347	0	3,347
Yearbook	3,410	7,073	9,113	1,370
Athletic Club	2,018	280	31	2,267
Cheerleaders	630	843	743	730
PHS Vocational	0	497	497	0
PHS Football Club	1,899	550	1,550	899
PHS Basketball	202	1,426	515	1,113
PHS Science	0	240	0	240
PHS Gym	0	850	0	850
Junior High:				
Athletic Club	3,636	2,472	2,236	3,872
Cheerleaders	527	76	486	117
Eighth Grade	2,880	5,751	7,360	1,271
Sales Tax	195	3,458	3,404	249
 Total Student Organization Funds	 \$ <u>42,207</u>	 <u>84,679</u>	 <u>80,550</u>	 <u>46,336</u>

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 5

District Activity Funds

Statement of Cash Receipts, Expenditures and Unencumbered Cash  
For the Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Athletics:							
High School	\$ 5,816	0	20,998	19,650	7,164	0	7,164
Junior High	184	0	2,343	2,467	60	0	60
<b>Total District Activity Funds</b>	<b>\$ 6,000</b>	<b>0</b>	<b>23,341</b>	<b>22,117</b>	<b>7,224</b>	<b>0</b>	<b>7,224</b>

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

# UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

Notes to the Financial Statements

June 30, 2010

## 1. Summary of Significant Accounting Policies

### Reporting Entity

Unified School District No. 269, Palco, Kansas operates as a unified school district in accordance with the laws of the State of Kansas. The District is operated by an elected board of education and provides the following services: education, culture and recreation.

Accounting principles generally accepted in the United States of America require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Palco-Damar-Zurich Recreation Commission is a component unit of the District. Financial information for the Palco-Damar-Zurich Recreation Commission has not been reported in the District's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with accounting principles generally accepted in the United States of America.

Palco-Damar-Zurich Recreation Commission. The Palco-Damar-Zurich Recreation Commission oversees recreational activities. A five-member board is appointed to oversee the operation. The District annually levies taxes for the operation of the Commission. Unaudited financial reports for the Palco-Damar-Zurich Recreation Commission are available from the Recreation Commission Director, P.O. Box 53, Palco, Kansas, 67657.

### Fund Accounting

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 fiscal year ended June 30, 2010:

#### Governmental Funds:

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

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

Fiduciary Funds:

Agency Funds--Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Reimbursed Expenditures

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.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. 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.

The District has adopted 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 revert to the statutory basis of accounting.

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

The basis of presentation described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown 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 of the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles of the United States of America. Capital assets that account for the land, building, and equipment owned by the District 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.

**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. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.

3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

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

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

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

A legal operating budget is not required for fiduciary funds and the following special revenue funds: Federal Funds, Textbook and Student Material Revolving, Contingency Reserve, Gifts and Grants, and District Activity 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.

### 3. Property Taxes

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due 1/2 on December 20th and 1/2 the following May 10th. Any taxes unpaid at the due dates are considered delinquent. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the District and therefore are not susceptible to accrual.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

### 4. Inventories and Prepaid Expense

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase.

### 5. Compensated Absences

#### Sick Leave

All full-time employees of Unified School District No. 269 are allowed twelve days a year sick leave, cumulative to fifty-five days, except for bus drivers who are allowed twelve days of sick leave per year non-accumulative. The District, upon an employee's termination, does not pay unused sick leave. There was no sick leave payable as of June 30, 2010.

### Vacation Pay

The superintendent is allowed twenty days of vacation a year. Other twelve-month employees are allowed two weeks of vacation a year after the first year of service. There was no vacation payable as of June 30, 2010.

## 6. Defined Benefit Pension Plan

### Plan Description

Unified School District No. 269, Palco, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue 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 Avenue, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

### Fund Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4 percent of covered salary. Member-employee contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 8.57% of covered payroll, which includes 1% for Group Death and Disability Insurance from April 1, 2010 through June 30, 2010. These contribution requirements are established by KPERS and are periodically revised. Kansas' contribution to KPERS for all Kansas public school employees for the years ending June 30, 2009 and 2008 were \$242,277,363 and \$220,815,154, respectively, equal to the required contributions for each year. For the year ending June 30, 2010, the required contribution was \$248,468,186. As of June 30, 2010, the State of Kansas contributed \$140,318,394. The remaining \$108,149,792 was contributed by July 9, 2010.

## 7. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. 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 premium regardless of age. However, the cost of this subsidy has not been quantified for 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.

## 8. Deposits and Investments

At June 30, 2010, the District had no 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 municipality is located and the banks provide an acceptable rate of return on the funds. In addition, K.S.A 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

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

#### Concentration of Credit Risk

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

#### 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 any "peak periods" with eligible depositories. All deposits were legally secured at June 30, 2010.

At June 30, 2010, the District's carrying amount of deposits was \$1,320,315 and the bank balance was \$1,623,104. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$1,623,104 was covered by federal depository insurance.

### 9. Interfund Transfers

Operating transfers were as follows:

From	To	Authority	Amount
General	Capital Outlay	K.S.A. 72-6428	\$ 14,205
General	Special Education	K.S.A. 72-6428	291,493
General	Vocational Education	K.S.A. 72-6428	48,190
General	Textbooks	K.S.A. 72-6428	17,207
General	At Risk (4 Year Old)	K.S.A. 72-6428	8,024
General	At Risk (K-12)	K.S.A. 72-6428	107,923
General	Food Service	K.S.A. 72-6428	28,957
General	Professional Development	K.S.A. 72-6428	8,063
General	Driver Training	K.S.A. 72-6428	1,958

### 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 for which the District purchases commercial insurance.

During the year ended June 30, 2010, the District did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

**11. Compliance with Kansas Statutes****Budget Compliance**

K.S.A. 79-2935 states that it is unlawful for expenditures to exceed the District's published budget. It appears that expenditures in the At-Risk Fund (K-12) have exceeded the respective published budget amount. This appears to be a violation of K.S.A. 79-2935.

**Cash Basis Violation**

K.S.A. 10-1113 requires each fund to comply with the cash-basis laws of Kansas. That is, no commitments or indebtedness should be incurred unless there is available cash in the fund. The General Fund incurred indebtedness in excess of the available cash balance. The General Fund expenditures exceeded the fund balance due to the final June state aid payment for the 2010 fiscal year being received after June 30, 2010. The June state aid for the General Fund of \$34,571 was received on July 8, 2010. K.S.A. 10-1116(a) exempts expenditures by school districts that are in excess of current revenues if the deficit in revenues is caused by late distribution of general state aid.

K.S.A. 10-1113 requires each fund to comply with the cash-basis laws of Kansas. That is, no commitments or indebtedness should be incurred unless there is available cash in the fund. The KPERS Special Retirement Contribution Fund incurred indebtedness in excess of the available cash balance. The KPERS Special Retirement Contribution Fund expenditures exceeded the fund balance due to the January and April state aid payments for the 2010 fiscal year being received after June 30, 2010. The January and April 2010 state aid payments of \$23,144 and \$22,513 were received on July 7 and July 8, 2010, respectively. The KPERS Special Retirement Contribution Fund is in violation of K.S.A. 10-1113.

**Other Compliance**

K.S.A. 60-1111 requires public work contracts exceeding \$100,000 to be properly bonded. A surety bond must be obtained from the contractor in a sum not less than the contracted amount. It appears the contractor for the District's \$270,000 locker room renovation project was not properly bonded. This appears to be in violation of K.S.A. 60-1111.

**12. Compliance with K.S.A. 72-6417(d)**

K.S.A. 72-6417(d) requires the School District to record any payment of general state aid that is due to be paid during the month of June and is paid to the School District after June 30, as a receipt for the school year ending June 30. The following statement shows the revenue as required by the statute.

STATUTORY REVENUES AND EXPENDITURES – STATUTORY AND BUDGET  
For the Year Ended June 30, 2010

GENERAL FUND

	Statutory Transactions	Budget	Variance Over (Under)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Statutory Revenues:</b>			
Tax in Process	\$ 1,995	28,060	(26,065)
Current Tax	598,171	582,299	15,872
Delinquent Tax	1,912	9,225	(7,313)
General State Aid	730,290	787,282	(56,992)
Federal ARRA Stabilization Aid	76,531	76,531	0
Special Education Aid	204,513	212,143	(7,630)
Mineral Tax	26,187	0	26,187
Reimbursed Expenses	20,184	0	20,184
	<u>1,659,783</u>	<u>1,695,540</u>	<u>(35,757)</u>
<b>Total Statutory Revenues</b>			
<b>Expenditures:</b>			
Instruction	541,400	544,694	(3,294)
Student Support Services	7,837	2,000	5,837
Instructional Support Staff	12,250	34,699	(22,449)
General Administration	149,471	159,410	(9,939)
School Administration	162,951	171,976	(9,025)
Operations and Maintenance	158,986	199,800	(40,814)
Student Transportation Services	97,843	109,160	(11,317)
Transfer to Special Education	294,623	258,741	35,882
Transfer to Capital Outlay	14,205	0	14,205
Transfer to Vocational Education	48,190	70,000	(21,810)
Transfer to At Risk (4 Year Olds)	8,024	5,000	3,024
Transfer to At Risk (K-12)	107,923	100,000	7,923
Transfer to Food Service	28,957	35,000	(6,043)
Transfer to Professional Development	8,063	5,000	3,063
Transfer to Textbook and Student Material Revolving	17,207	0	17,207
Transfer to Driver Training	1,958	1,000	958
Adjustment to Comply with Legal Max			
Legal General Fund Budget	0	(56,776)	56,776
	<u>1,659,888</u>	<u>1,639,704</u>	<u>20,184</u>
<b>Total Legal General Fund Budget</b>			
<b>Adjustment for Qualifying Budget Credits:</b>			
Reimbursed Expenses	0	20,184	(20,184)
	<u>0</u>	<u>20,184</u>	<u>(20,184)</u>
<b>Total Expenditures</b>			
	<u>1,659,888</u>	<u>1,659,888</u>	<u>0</u>
<b>Cash Receipts Over (Under) Expenditures</b>			
	(105)		
Modified Unencumbered Cash, Beginning	2,889		
Prior Year Cancelled Encumbrances	3,696		
	<u>6,480</u>		
<b>Modified Unencumbered Cash, Ending</b>			
	\$ <u>6,480</u>		

13. **KPERS Special Retirement Contribution Fund**

The KPERS Special Retirement Contribution Fund, as shown below, reflects all state aid for the fiscal year ended June 30, 2010, as confirmed by the Kansas State Department of Education. This presentation includes the January and April 2010 state aid payments of \$22,612 and \$22,015 received on July 7 and July 8, 2010, respectively.

UNIFIED SCHOOL DISTRICT NO. 269  
REVENUES AND EXPENDITURES – FISCAL YEAR AND BUDGET  
For the Year Ended June 30, 2010

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

	<u>Fiscal Year Transactions</u>	<u>Budget</u>	Variance Over (Under)
Revenues:			
Total Statutory Revenues	\$ 90,242	<u>105,585</u>	<u>(15,343)</u>
Expenditures:			
Instruction	62,267	72,854	(10,587)
Student Support Services	226	264	(38)
General Administration	6,541	7,655	(1,114)
School Administration	6,317	7,391	(1,074)
Operations and Maintenance	7,671	8,975	(1,304)
Student Transportation Services	3,610	4,223	(613)
Food Service	<u>3,610</u>	<u>4,223</u>	<u>(613)</u>
Total Expenditures	<u>90,242</u>	<u>105,585</u>	<u>(15,343)</u>
Revenue Over (Under) Expenditures	0		
Modified Unencumbered Cash, Beginning	<u>0</u>		
Modified Unencumbered Cash, Ending	<u>\$ 0</u>		