

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS

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FINANCIAL STATEMENTS  
(with Independent Auditors' Reports thereon)

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For the Year Ended June 30, 2011

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UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 FINANCIAL STATEMENTS  
 Year ended June 30, 2011

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# *Kramer & Associates CPAs, LLC*

*Making the right move for your business*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Unified School District No. 203,  
Kansas City, Kansas

We have audited the accompanying financial statements as listed in the Table of Contents of Unified School District No. 203, Kansas City, Kansas, as of and for the year ended June 30, 2011. 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 information has been derived from the District's financial statements for the year ended June 30, 2010 and, in our report dated March 7, 2011, we expressed an unqualified opinion on the financial statements in accordance with the cash basis and budget laws of the State of Kansas and an adverse opinion on the financial statements in accordance with generally accepted accounting principles (see Note 1).

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, Unified School District No. 203, Kansas City, Kansas, prepares its 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, are presumed to be material.

In our opinion, 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. 203, Kansas City, Kansas or the changes in its financial position for the year ended June 30, 2011.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 203, Kansas City, Kansas, as of June 30, 2011, and its cash receipts and expenditures, and budgetary comparisons, taken as a whole, for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, on the basis of accounting described in Note 1, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Board of Education and committees thereto, management, others within the entity, U.S. Department of Education, U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Kramer & Associates CPAs, LLC.*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
February 13, 2012

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
Year ended June 30, 2011

Funds	Beginning unencumbered cash balance	Prior year canceled encumbrances	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
<b>Governmental type funds:</b>							
General	\$ (605,994)	\$ 1,495	\$ 10,913,688	\$ 10,413,692	\$ (104,503)	\$ 82,959	\$ (21,544)
Supplemental general	495,340	--	3,261,631	3,290,372	466,599	81,186	547,785
Special revenue funds:							
At risk (4 year old)	--	--	--	--	--	--	--
At risk (K-12)	106,492	--	288,546	343,669	51,369	--	51,369
Bilingual education	--	--	--	--	--	--	--
Capital outlay	3,406,111	--	1,430,527	145,550	4,691,088	7,950	4,699,038
Drivers education	21,045	--	--	--	21,045	--	21,045
Food service	208,730	--	707,015	674,905	240,840	--	240,840
Professional development	54,639	--	--	12,640	41,999	3,500	45,499
Summer school	81,961	--	--	81,961	--	--	--
Special education	1,006,883	--	2,247,868	1,634,246	1,620,505	--	1,620,505
Vocational education	133,892	--	400	91,659	42,633	--	42,633
KPERs retirement contribution	--	--	439,955	439,955	--	--	--
Textbook and student material	82,314	--	174,163	161,190	95,287	8,322	103,609
Contingency reserve	542,198	--	--	--	542,198	--	542,198
Federal funds	--	--	123,091	123,091	--	--	--
Gift and grant	1,473,000	--	--	738,950	734,050	--	734,050
Other grant funds	23,491	--	--	23,491	--	--	--
Gate receipts	5,072	--	97,892	95,608	7,356	--	7,356
School projects	13,691	--	19,264	14,913	18,042	--	18,042
Debt service fund:							
Bond and interest	1,092,144	--	2,173,947	1,707,444	1,558,647	--	1,558,647
Capital project fund:							
Bond construction	422,337	--	2,569	300,655	124,251	--	124,251
Fiduciary type funds:							
Trust funds	112,772	--	532	3,000	110,304	--	110,304
Total reporting entity (excluding agency fund)	\$ 8,676,118	\$ 1,495	\$ 21,881,088	\$ 20,296,991	\$ 10,261,710	\$ 183,917	\$ 10,445,627
Composition of cash:							
Checking							\$ 9,180,347
Checking - construction							124,251
Checking - activity accounts							167,811
Scholarship savings							9,772
Money market							1,105,859
Total cash							10,588,040
Less agency funds							(142,413)
Total reporting entity (excluding agency funds)							\$ 10,445,627

The accompanying notes are an integral part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
Year ended June 30, 2011

Funds	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>Governmental type funds:</b>						
General	\$ 10,105,024	\$ (181,549)	\$ 490,217	\$ 10,413,692	\$ 10,413,692	\$ -
Supplemental general	\$ 3,290,372	-	-	\$ 3,290,372	\$ 3,290,372	\$ -
<b>Special revenue funds:</b>						
At risk (4 year old)	\$ 16,048	-	-	\$ 16,048	\$ -	\$ 16,048
At risk (K-12)	\$ 343,669	-	-	\$ 343,669	\$ 343,669	\$ -
Bilingual education	\$ 8,000	-	-	\$ 8,000	\$ -	\$ 8,000
Capital Outlay	\$ 2,730,000	-	-	\$ 2,730,000	\$ 145,550	\$ 2,584,450
Drivers education	\$ -	-	-	\$ -	\$ -	\$ -
Food service	\$ 895,000	-	-	\$ 895,000	\$ 674,905	\$ 220,095
Professional development	\$ 18,000	-	-	\$ 18,000	\$ 12,640	\$ 5,360
Summer school	\$ 95,450	-	-	\$ 95,450	\$ 81,961	\$ 13,489
Special education	\$ 2,095,000	-	-	\$ 2,095,000	\$ 1,634,246	\$ 460,754
Vocational education	\$ 359,000	-	400	\$ 359,400	\$ 91,659	\$ 267,741
KPERs retirement contribution	\$ 293,783	-	-	\$ 293,783	\$ 439,955	\$ (146,172)
Federal funds	\$ 126,435	-	-	\$ 126,435	\$ 123,091	\$ 3,344
<b>Debt service fund:</b>						
Bond and interest	\$ 1,707,444	-	-	\$ 1,707,444	\$ 1,707,444	\$ -

The accompanying notes are an integral part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 GENERAL FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
<b>Cash receipts:</b>				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 628,533	\$ 61,474	\$ 312,144	\$ (250,670)
Ad valorem property - current taxes	2,451,381	2,675,022	2,319,957	355,065
Delinquent	282,804	353,423	104,055	249,368
State aid:				
Equalization aid	5,255,449	5,544,339	5,872,725	(328,386)
Special education services	1,177,208	1,313,929	1,323,375	(9,446)
Federal aid:				
ARRA stabilization	402,334	172,768	172,768	-
Education jobs fund	-	302,516	-	302,516
Reimbursed expenses	226,405	490,217	-	490,217
<b>Total cash receipts</b>	<b>10,424,114</b>	<b>10,913,688</b>	<b>\$10,105,024</b>	<b>\$ 808,664</b>
<b>Expenditures and transfers subject to budget:</b>				
Instruction	4,010,747	5,881,751	\$ 5,703,660	\$ (178,091)
Student support services	164,545	93,042	382,875	289,833
Instructional support staff	235,005	180,571	383,656	203,085
General administration	368,659	242,881	345,200	102,319
School administration	733,636	734,142	749,758	15,616
Central services	30,601	71,836	-	(71,836)
Operations and maintenance	1,131,747	1,182,463	493,500	(688,963)
Student transportation services	649,667	637,350	663,000	25,650
Other support services	3,115	(186)	-	186
Transfers out	2,679,594	1,389,842	1,383,375	(6,467)
Adjustment to comply with legal max	-	-	(181,549)	(181,549)
Legal general fund budget	10,007,316	10,413,692	9,923,475	(490,217)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	490,217	490,217
<b>Total expenditures and transfers subject to budget</b>	<b>10,007,316</b>	<b>10,413,692</b>	<b>\$10,413,692</b>	<b>\$ -</b>
Receipts over (under) expenditures	416,798	499,996		
Prior year canceled encumbrances	-	1,495		
Unencumbered cash, beginning of year	(1,022,792)	(605,994)		
Unencumbered cash, end of year	\$ (605,994)	\$ (104,503)		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SUPPLEMENTAL GENERAL FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
<b>Cash receipts:</b>				
<b>Taxes and shared revenue:</b>				
Ad valorem property - taxes in process	\$ (277,411)	\$ 79,379	\$ 157,594	\$ (78,215)
Ad valorem property - current taxes	3,246,502	2,574,373	2,155,764	418,609
Delinquent	212,592	274,940	128,175	146,765
Motor vehicle	232,820	240,175	274,243	(34,068)
Recreational vehicle	1,340	1,096	1,356	(260)
<b>State aid:</b>				
Equalization aid	-	91,668	97,777	(6,109)
Reimbursed expenses	900	-	-	-
<b>Total cash receipts</b>	<b>3,416,743</b>	<b>3,261,631</b>	<b>\$ 2,814,909</b>	<b>\$ 446,722</b>
<b>Expenditures and transfers subject to budget:</b>				
Instruction	1,293,226	753,478	\$ 158,872	\$ (594,606)
Student support services	134,677	96,684	102,000	5,316
Instructional support staff	107,351	74,867	25,000	(49,867)
General administration	164,745	159,753	122,500	(37,253)
School administration	176,591	107,519	-	(107,519)
Central services	253,853	141,648	-	(141,648)
Operations and maintenance	860,258	891,775	1,577,000	685,225
Other support services	124,006	38	-	(38)
Transfers out	51,687	1,064,610	1,305,000	240,390
Adjustment to comply with legal max	-	-	-	-
Legal supplemental general fund budget	3,166,394	3,290,372	3,290,372	-
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
<b>Total expenditures and transfers   subject to budget</b>	<b>3,166,394</b>	<b>3,290,372</b>	<b>\$ 3,290,372</b>	<b>\$ -</b>
Receipts over (under) expenditures	250,349	(28,741)		
Unencumbered cash, beginning of year	244,991	495,340		
Unencumbered cash, end of year	\$ 495,340	\$ 466,599		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 AT RISK (4 YEAR OLD) FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
Cash receipts:				
Tuition from individuals	\$ -	\$ -	\$ 16,048	\$ (16,048)
Total cash receipts	-	-	\$ 16,048	\$ (16,048)
Expenditures and transfers subject to budget:				
Instruction	-	-	\$ 16,048	\$ 16,048
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	-	-	\$ 16,048	\$ 16,048
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 AT RISK (K-12) FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Revenue from other local source	\$ -	\$ 81,962	\$ -	\$ 81,962
Transfers in:				
General fund	340,000	6,584	-	6,584
Supplemental general fund	-	200,000	335,000	(135,000)
Total cash receipts	<u>340,000</u>	<u>288,546</u>	<u>\$ 335,000</u>	<u>\$ (46,454)</u>
Expenditures and transfers subject to budget:				
Instruction	233,508	302,396	\$ 343,669	\$ 41,273
Student transportation services	-	41,273	-	(41,273)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	<u>233,508</u>	<u>343,669</u>	<u>\$ 343,669</u>	<u>\$ -</u>
Receipts over (under) expenditures	106,492	(55,123)		
Unencumbered cash, beginning of year	-	106,492		
Unencumbered cash, end of year	<u>\$ 106,492</u>	<u>\$ 51,369</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 BILINGUAL EDUCATION FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
Cash receipts:				
Federal aid	\$ -	\$ -	\$ 8,000	\$ (8,000)
Total cash receipts	-	-	<u>\$ 8,000</u>	<u>\$ (8,000)</u>
Expenditures and transfers subject to budget:				
Instruction	-	-	\$ 8,000	\$ 8,000
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	-	-	<u>\$ 8,000</u>	<u>\$ 8,000</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 CAPITAL OUTLAY FUND  
 Year ended June 30, 2011

	Prior Year actual	Current year		Variance - over (under)
		Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 270,695	\$ 26,394	\$ 101,186	\$ (74,792)
Ad valorem property - current taxes	1,041,749	1,061,821	984,501	77,320
Delinquent	111,082	141,430	43,036	98,394
Motor vehicle	118,354	117,906	133,256	(15,350)
Recreational vehicle	670	581	659	(78)
Interest on idle funds	71,955	41,691	-	41,691
Miscellaneous	5	40,704	-	40,704
Transfers in:				
General fund	495,866	-	-	-
Total cash receipts	<u>2,110,376</u>	<u>1,430,527</u>	<u>\$ 1,262,638</u>	<u>\$ 167,889</u>
Expenditures and transfers subject to budget:				
Instruction	44,642	37,082	\$ -	\$ (37,082)
Student support services	12,925	-	-	-
Operations and maintenance	7,960	4,959	100,000	95,041
Facilities acquisition and construction	242,848	103,509	2,630,000	2,526,491
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	<u>308,375</u>	<u>145,550</u>	<u>\$ 2,730,000</u>	<u>\$ 2,584,450</u>
Receipts over (under) expenditures	1,802,001	1,284,977		
Unencumbered cash, beginning of year	<u>1,604,110</u>	<u>3,406,111</u>		
Unencumbered cash, end of year	<u>\$ 3,406,111</u>	<u>\$ 4,691,088</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 DRIVERS EDUCATION FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
Cash receipts:				
Revenue from other local source	\$ -	\$ -	\$ -	\$ -
Total cash receipts	-	-	\$ -	\$ -
Expenditures and transfers subject to budget:				
Instruction	-	-	\$ -	\$ -
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	-	-	\$ -	\$ -
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	21,045	21,045		
Unencumbered cash, end of year	\$ 21,045	\$ 21,045		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 FOOD SERVICE FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
School food assistance	\$ 8,030	\$ 8,229	\$ 8,250	\$ (21)
Federal aid:				
Federal child nutrition program	172,103	187,801	223,518	(35,717)
Charges for service	521,861	510,985	655,600	(144,615)
Miscellaneous	2,231	-	-	-
<b>Total cash receipts</b>	<b>704,225</b>	<b>707,015</b>	<b>\$ 887,368</b>	<b>\$ (180,353)</b>
Expenditures and transfers subject to budget:				
Operations and maintenance	-	-	\$ 127,050	\$ 127,050
Food service operations	732,484	674,905	767,950	93,045
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
<b>Total expenditures and transfers   subject to budget</b>	<b>732,484</b>	<b>674,905</b>	<b>\$ 895,000</b>	<b>\$ 220,095</b>
Receipts over (under) expenditures	(28,259)	32,110		
Unencumbered cash, beginning of year	236,989	208,730		
Unencumbered cash, end of year	\$ 208,730	\$ 240,840		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 PROFESSIONAL DEVELOPMENT FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
Cash receipts:				
Revenue from other local source	\$ -	\$ -	\$ -	\$ -
Total cash receipts	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures and transfers subject to budget:				
Instructional support staff	1,326	12,640	\$ 18,000	\$ 5,360
Adjustment for qualifying budget credits:				
Reimbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures and transfers subject to budget	<u>1,326</u>	<u>12,640</u>	<u>\$ 18,000</u>	<u>\$ 5,360</u>
Receipts over (under) expenditures	(1,326)	(12,640)		
Unencumbered cash, beginning of year	<u>55,965</u>	<u>54,639</u>		
Unencumbered cash, end of year	<u>\$ 54,639</u>	<u>\$ 41,999</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SUMMER SCHOOL FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Revenue from other local source	\$ -	\$ -	\$ -	\$ -
Total cash receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures and transfers subject to budget:				
Instruction	100	81,961	\$ 95,450	\$ 13,489
Adjustment for qualifying budget credits:				
Reimbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures and transfers subject to budget	<u>100</u>	<u>81,961</u>	<u>\$ 95,450</u>	<u>\$ 13,489</u>
Receipts over (under) expenditures	(100)	(81,961)		
Unencumbered cash, beginning of year	<u>82,061</u>	<u>81,961</u>		
Unencumbered cash, end of year	<u>\$ 81,961</u>	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SPECIAL EDUCATION FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid	\$ -	\$ -	\$ 137,500	\$ (137,500)
Transfers in:				
General fund	1,677,208	1,383,258	1,383,375	(117)
Supplemental general fund	51,687	864,610	700,000	164,610
Reimbursed expenses	6,897	-	-	-
Total cash receipts	<u>1,735,792</u>	<u>2,247,868</u>	<u>\$ 2,220,875</u>	<u>\$ 26,993</u>
Expenditures and transfers subject to budget:				
Instruction	1,742,986	1,634,246	\$ 2,095,000	\$ 460,754
Student transportation services	67	-	-	-
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	<u>1,743,053</u>	<u>1,634,246</u>	<u>\$ 2,095,000</u>	<u>\$ 460,754</u>
Receipts over (under) expenditures	(7,261)	613,622		
Unencumbered cash, beginning of year	<u>1,014,144</u>	<u>1,006,883</u>		
Unencumbered cash, end of year	<u>\$ 1,006,883</u>	<u>\$ 1,620,505</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 VOCATIONAL EDUCATION FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 166,520	\$ -	\$ -	\$ -
Supplemental general fund	-	-	270,000	(270,000)
Reimbursed expenses	-	400	-	400
Total cash receipts	<u>166,520</u>	<u>400</u>	<u>\$ 270,000</u>	<u>\$ (269,600)</u>
Expenditures and transfers subject to budget:				
Instruction	288,615	91,659	\$ 359,000	\$ 267,341
Adjustment for qualifying budget credits:				
Reimbursements	-	-	400	400
Total expenditures and transfers subject to budget	<u>288,615</u>	<u>91,659</u>	<u>\$ 359,400</u>	<u>\$ 267,741</u>
Receipts over (under) expenditures	(122,095)	(91,259)		
Unencumbered cash, beginning of year	<u>255,987</u>	<u>133,892</u>		
Unencumbered cash, end of year	<u>\$ 133,892</u>	<u>\$ 42,633</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 KPERS RETIREMENT CONTRIBUTION FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
Cash receipts:				
State aid:				
KPERS Contributions	\$ 497,062	\$ 439,955	\$ 293,783	\$ 146,172
Total cash receipts	<u>497,062</u>	<u>439,955</u>	<u>\$ 293,783</u>	<u>\$ 146,172</u>
Expenditures and transfers subject to budget:				
Instruction	244,374	285,971	\$ 90,783	\$ (195,188)
Student support services	100,814	17,598	95,000	77,402
Instructional support staff	25,203	21,998	15,000	(6,998)
General administration	24,272	21,998	15,000	(6,998)
School administration	48,312	43,995	25,000	(18,995)
Central services	5,087	4,400	8,000	3,600
Operations and maintenance	49,010	43,995	30,000	(13,995)
Food service operations	-	-	15,000	15,000
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	<u>497,072</u>	<u>439,955</u>	<u>\$ 293,783</u>	<u>\$ (146,172)</u>
Receipts over (under) expenditures	(10)	-		
Unencumbered cash, beginning of year	<u>10</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 TEXTBOOK & STUDENT MATERIAL FUND\*  
 Year ended June 30, 2011

	Prior year actual	Current year actual
Cash receipts:		
Charge for services	\$ 172,253	\$ 174,163
Total cash receipts	<u>172,253</u>	<u>174,163</u>
Expenditures:		
Instruction	88,955	161,198
Student activity	<u>1,039</u>	<u>(8)</u>
Total expenditures	<u>89,994</u>	<u>161,190</u>
Receipts over (under) expenditures	82,259	12,973
Prior year canceled encumbrances	55	-
Unencumbered cash, beginning of year	<u>-</u>	<u>82,314</u>
Unencumbered cash, end of year	<u>\$ 82,314</u>	<u>\$ 95,287</u>

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 CONTINGENCY RESERVE FUND\*  
 Year ended June 30, 2011

	Prior year actual	Current year actual
Cash receipts:		
Transfers in:		
General fund	\$     -	\$     -
Total cash receipts	-	-
Expenditures:		
Instruction	-	-
Total expenditures	-	-
Receipts over (under) expenditures	-	-
Unencumbered cash, beginning of year	542,198	542,198
Unencumbered cash, end of year	\$ 542,198	\$ 542,198

\*This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 FEDERAL FUNDS  
 Year ended June 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid:				
Title I	\$ 86,965	\$ 92,969	\$ 40,701	\$ 52,268
Title II	33,427	30,122	82,739	(52,617)
Title IV Drug free	2,995	-	2,995	(2,995)
Total cash receipts	<u>123,387</u>	<u>123,091</u>	<u>\$ 126,435</u>	<u>\$ (3,344)</u>
Expenditures and transfers subject to budget:				
Instruction	127,454	123,091	\$ 126,435	\$ 3,344
Adjustment for qualifying budget credits:				
Federal funds received in excess of budget	-	-	-	-
Total expenditures and transfers subject to budget	<u>127,454</u>	<u>123,091</u>	<u>\$ 126,435</u>	<u>\$ 3,344</u>
Receipts over (under) expenditures	(4,067)	-		
Unencumbered cash, beginning of year	<u>4,067</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 GIFT AND GRANT FUND \*  
 Year ended June 30, 2011

	Prior year actual	Current year actual
Cash receipts:		
Revenue from other local source	\$ 1,501,000	\$ -
Total cash receipts	<u>1,501,000</u>	<u>-</u>
Expenditures:		
Community services	30,000	-
Facilities acquisition and construction	-	738,950
Total expenditures	<u>30,000</u>	<u>738,950</u>
Receipts over (under) expenditures	1,471,000	(738,950)
Unencumbered cash, beginning of year	<u>2,000</u>	<u>1,473,000</u>
Unencumbered cash, end of year	<u>\$ 1,473,000</u>	<u>\$ 734,050</u>

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 OTHER GRANT FUNDS \*  
 Year ended June 30, 2011

	Prior year actual	Current year actual
Cash receipts:		
Truancy grant	\$ 30,282	\$ -
Total cash receipts	<u>30,282</u>	<u>-</u>
Expenditures:		
Instructional support services	24,259	23,491
Total expenditures	<u>24,259</u>	<u>23,491</u>
Receipts over (under) expenditures	6,023	(23,491)
Unencumbered cash, beginning of year	<u>17,468</u>	<u>23,491</u>
Unencumbered cash, end of year	<u>\$ 23,491</u>	<u>\$ -</u>

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 BOND & INTEREST FUND  
 Year ended June 30, 2011

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 315,740	\$ 31,638	\$ 120,963	\$ (89,325)
Ad valorem property - current taxes	1,248,990	1,836,559	1,610,034	226,525
Delinquent	86,285	163,997	51,583	112,414
Motor vehicle	94,885	141,056	159,851	(18,795)
Recreational vehicle	502	697	790	(93)
Transfers in:				
Capital projects fund	50,000	-	-	-
 Total cash receipts	 <u>1,796,402</u>	 <u>2,173,947</u>	 <u>\$ 1,943,221</u>	 <u>\$ 230,726</u>
Expenditures and transfers subject to budget:				
Principal	200,000	380,000	\$ 200,000	\$ (180,000)
Interest	1,403,597	1,327,444	1,507,444	180,000
Fiscal charges	-	-	-	-
 Total expenditures and transfers subject to budget	 <u>1,603,597</u>	 <u>1,707,444</u>	 <u>\$ 1,707,444</u>	 <u>\$ -</u>
 Receipts over (under) expenditures	 192,805	 466,503		
 Unencumbered cash, beginning of year	 <u>899,339</u>	 <u>1,092,144</u>		
 Unencumbered cash, end of year	 <u>\$ 1,092,144</u>	 <u>\$ 1,558,647</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 CAPITAL PROJECTS FUND\*  
 Year ended June 30, 2011

	Prior year actual	Current year actual
Cash receipts:		
Interest on idle funds	\$ 24,529	\$ 2,569
Miscellaneous	133,555	-
Total cash receipts	<u>158,084</u>	<u>2,569</u>
Expenditures:		
Instruction	107,546	-
Facility acquisition and construction	9,629,625	300,655
Fund transfers	50,000	-
Total expenditures	<u>9,787,171</u>	<u>300,655</u>
Receipts over (under) expenditures	(9,629,087)	(298,086)
Prior year canceled encumbrances	72,710	-
Unencumbered cash, beginning of year	<u>9,978,714</u>	<u>422,337</u>
Unencumbered cash, end of year	<u>\$ 422,337</u>	<u>\$ 124,251</u>

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 TRUST FUNDS\*  
 Year ended June 30, 2011

	Prior year actual	Current year actual
Cash receipts:		
Interest	\$ 2,072	\$ 532
Total cash receipts	<u>2,072</u>	<u>532</u>
Expenditures:		
Scholarships	<u>2,625</u>	<u>3,000</u>
Total expenditures	<u>2,625</u>	<u>3,000</u>
Receipts over (under) expenditures	(553)	(2,468)
Unencumbered cash, beginning of year	<u>113,325</u>	<u>112,772</u>
Unencumbered cash, end of year	<u>\$ 112,772</u>	<u>\$ 110,304</u>

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL  
 AGENCY FUNDS  
 Year ended June 30, 2011

	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Piper High School:				
Artvarks club	\$ 37	\$ -	\$ -	\$ 37
Baseball club	1,313	1,970	2,498	785
Boys basketball	90	10,300	7,450	2,940
Cheerleaders	1,237	11,631	8,965	3,903
Diversity club	1,183	49	275	957
Business professionals	188	-	-	188
CADD	241	-	-	241
Dance squad	2,040	5,707	9,906	(2,159)
Track display	130	-	-	130
Track	1,038	3,667	4,392	313
Football	15,090	16,902	26,692	5,300
Robotics club	6,183	9,640	7,495	8,328
Ecology club	43	-	-	43
Swimming	886	1,171	1,194	863
Cross country	40	-	-	40
Tri-M Society	655	2,489	2,512	632
Drama club	4	3,399	2,936	467
SADD	146	-	146	-
PHS emergency assistance	2,692	515	205	3,002
Student council	2,385	6,772	6,356	2,801
Wrestling	1,047	445	690	802
Girls basketball	459	1,935	1,860	534
Volleyball	1,569	1,768	2,504	833
Soccer	1,211	2,320	2,681	850
Weightroom	4,081	4,700	1,187	7,594
Weightlifting club	94	-	-	94
Boys golf	(48)	859	882	(71)
Spanish club	189	-	-	189
KEY club	1,426	994	1,028	1,392
PGAA	682	1,171	1,514	339
FCCLA	290	-	-	290
Softball	441	1,607	2,027	21
Leadership	-	146	-	146
8th grade class	-	156	-	156
Freshman class	117	-	-	117
Sophomore class	1	-	-	1
Junior class	-	9,054	7,726	1,328
Senior class	1,540	635	1,948	227
Graduated classes	1,551	-	-	1,551
GAF	451	44,183	40,614	4,020
Auction	32,033	20,086	29,885	22,234
Substance abuse	750	-	750	-
Senior citizenship award	1,585	560	600	1,545
Apple computer grant	17	-	-	17
Pepsi Promotion	-	280	280	-
Coke fund	781	1,427	2,066	142
Publications	6,929	39,078	40,346	5,661
Tyler Jobe memorial scholarship	2,730	1,540	2,000	2,270
Pirate performance	8,751	2,735	8,699	2,787
Subtotal Piper High School	104,298	209,891	230,309	83,880

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL  
 AGENCY FUNDS  
 Year ended June 30, 2011

	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Piper Middle School:				
Music	90	-	-	90
Drama	697	-	697	-
Piper honor organization	601	21	76	546
Student council	4,086	2,355	1,165	5,276
Yearbook	1,444	6,286	6,210	1,520
Student services	7,115	1,810	1,164	7,761
Grant funds	2,532	195	490	2,237
Business partnership	427	-	427	-
School store	687	-	687	-
Student incentives	5,291	7,625	6,560	6,356
Subtotal Piper Middle School	<u>22,970</u>	<u>18,292</u>	<u>17,476</u>	<u>23,786</u>
Piper Elementary School:				
General activity fund	13,275	26,786	24,946	15,115
Art	778	1,395	809	1,364
Yearbook	7,826	9,752	12,020	5,558
Subtotal Piper Elementary School	<u>21,879</u>	<u>37,933</u>	<u>37,775</u>	<u>22,037</u>
Total student activity funds	<u>\$ 149,147</u>	<u>\$ 266,116</u>	<u>\$ 285,560</u>	<u>\$ 129,703</u>
Faculty funds:				
Piper High School	\$ -	\$ -	\$ -	\$ -
Piper Middle School	-	-	-	-
Piper Elementary School	-	-	-	-
Total faculty funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SUMMARY:				
Student activity funds	\$ 149,147	\$ 266,116	\$ 285,560	\$ 129,703
Faculty funds	-	-	-	-
Fees and user charges	1,209	162,870	162,100	1,979
Sales Tax	6,449	15,610	19,318	2,741
Flex spending	8,402	37,869	38,281	7,990
Total agency funds	<u>\$ 165,207</u>	<u>\$ 482,465</u>	<u>\$ 505,259</u>	<u>\$ 142,413</u>

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH - ACTUAL  
DISTRICT ACTIVITY FUNDS  
Year ended June 30, 2011

	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
<b>Gate receipts:</b>						
High school athletics	\$ (756)	\$ 83,522	\$ 81,776	\$ 990	\$ -	\$ 990
Middle school athletics	5,828	14,370	13,832	6,366	-	6,366
Subtotal gate receipts	5,072	97,892	95,608	7,356	-	7,356
<b>School projects:</b>						
Book fair	6,459	4,751	4,256	6,954	-	6,954
Library	3,505	3,670	2,658	4,517	-	4,517
Drama	170	155	-	325	-	325
Band	390	-	234	156	-	156
Vocal music	816	5,527	5,070	1,273	-	1,273
Language arts	24	-	-	24	-	24
Music N Motion	1,044	677	-	1,721	-	1,721
Belle Voce	553	495	-	1,048	-	1,048
Drafting	450	844	894	400	-	400
District	(849)	885	85	(49)	-	(49)
Calculator rental	60	420	-	480	-	480
Vending	1,047	1,840	1,716	1,171	-	1,171
Art	22	-	-	22	-	22
Subtotal school projects	13,691	19,264	14,913	18,042	-	18,042
<b>Total district activities</b>	<b>\$ 18,763</b>	<b>\$ 117,156</b>	<b>\$ 110,521</b>	<b>\$ 25,398</b>	<b>\$ -</b>	<b>\$ 25,398</b>

The accompanying notes are an integral part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2011

1. Summary of significant accounting policies

a. Reporting entity

Unified School District No. 203, Kansas City, Kansas, ("the District") is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 203, Kansas City, Kansas, (the primary government). There are no component units.

b. Reimbursed expenses

Certain expenditures are classified as reimbursed expenses. The purpose of these expenditures is payment for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934. The following expenditures are classified as reimbursed expenses for the year ended June 30, 2011:

General fund	\$ 490,217
Vocational education fund	\$ 400

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.

c. Basis of accounting

1. 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, with disbursements being adjusted for prior year's 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 in accordance with K.S.A. 75-1120a(c) to waive reporting in accordance with accounting principles generally accepted in the United States of America, which allows the District to utilize the statutory basis of accounting.

2. 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 expenses, 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 District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

d. Cash and investments

Cash consists of checking and money market accounts.

Cash balances in all funds are considered in determining the amount to be invested and further, unless specifically designated, all investment income is credited to the capital outlay fund.

e. Inventories and prepaid expenses

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

f. 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, 2011:

1. Governmental funds

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

1. Governmental funds (continued)

- b. 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.
- c. Debt service funds - to account for the accumulation of resources for and the payments of, interest and principal and related costs, on general long-term debt.
- d. Capital projects funds - to account for the activities for the acquisition or construction of major capital facilities.

2. Fiduciary funds

- a. Trust and agency funds - to account for assets held by the District in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds are custodial in nature and do not involve measurement of operations.

g. Prior year partial comparative information

The financial statements include prior year partial comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2010, from which such partial information was derived.

2. Stewardship, compliance, and accountability

a. 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. Although directory rather than mandatory, 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 year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on budget.
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 District 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. There were no such budget amendments for this year.

a. Budgetary information (continued)

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 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 projects funds, trust funds, and the following special revenue funds.

- Textbook & student material fund
- Contingency reserve fund
- Gift and grant fund
- Other grant funds

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

b. Compliance with finance-related legal and contractual provisions

The General Fund showed negative ending unencumbered cash balances of \$104,503 and \$605,994 for the years ended June 30, 2011 and 2010, respectively. K.S.A. 10-1116a provides that under certain situations, the funds can end the year with negative unencumbered cash balances and therefore, be exempt from the cash basis law of the State of Kansas (K.S.A. 10-1113). The District is not deemed to be in violation of the Kansas cash basis law for the years ending June 30, 2011 and 2010.

See Note 10 for presentation of the General Fund and Supplemental General Fund under compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d).

The District violated K.S.A. 79-2935 by spending expenditures in excess of budgeted limits in the KPERS Retirement Contribution fund. See Statement 3.13 for more information.

Management is not aware of any other statutory violations for the period covered by the audit.

### 3. Deposits and investments

As of June 30, 2011, 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 District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank 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. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the District's carrying amount of deposits was \$10,588,040 and the bank balance was \$11,837,729. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remaining \$11,337,729 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

### 4. Long-term debt

On November 6, 2007, voters in the District authorized the issuance of up to \$29.9 million of general obligation bonds to fund a wide variety of improvements throughout the District. The projects included the construction of a new elementary school, the renovation of Piper High School, and security and technology upgrades throughout the District. The issuance of bonds was made in three different series consisting of Series 2008-A, 2008-B, and 2009-A.

The District entered into two lease purchase agreements to pay for the costs of acquiring, constructing, and installing energy conservation measures in the buildings and on the property owned by the District. The first agreement was signed in June 2008 for the amount of \$4,890,000. The second agreement was signed in January 2009 for \$2,674,000.

See the following page for more information related to the District's long-term debt and capital lease obligations.

4. Long-term debt (continued)

Changes in long-term liabilities for the District for the year ended June 30, 2011, were as follows:

Issue	Interest rate	Date of issue	Amount of issue	Date of final maturity	Balance beginning of year	Additions	Reductions/ payments	Balance end of year	Interest paid
<b>General obligation bonds:</b>									
Series 2008A	3.38-5.00%	Feb. 2008	\$14,980,000	Sept. 2028	\$14,980,000	\$ -	\$ -	\$14,980,000	\$ 620,959
Series 2008B	3.50-5.50%	Dec. 2008	\$ 9,825,000	Sept. 2028	9,825,000	-	(380,000)	9,245,000	446,275
Series 2009A	3.00-4.30%	April 2009	\$ 7,000,000	Sept. 2028	7,000,000	-	-	7,000,000	260,210
<b>Capital leases:</b>									
Energy lease	5.04%	June 2008	\$ 4,890,000	Sept. 2028	4,718,129	-	(159,314)	4,558,815	235,811
Energy lease	5.85%	Jan. 2009	\$ 2,674,000	March 2029	2,613,319	-	(77,906)	2,535,413	151,783
Total long-term debt			\$ 38,936,448		\$ 38,936,448	\$ -	\$ (617,220)	\$ 38,319,228	\$ 1,715,038

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

	Year ended June 30,					Total
	2012	2013	2014	2015	2016	
<b>Principal:</b>						
<b>G.O. Bonds:</b>						
Series 2008A	\$ 75,000	\$ 250,000	\$ 365,000	\$ 455,000	\$ 550,000	\$ 4,115,000
Series 2008B	525,000	425,000	325,000	350,000	375,000	2,280,000
Series 2009A	-	125,000	265,000	320,000	340,000	1,905,000
<b>Capital leases:</b>						
Energy lease	167,445	175,991	184,972	194,412	204,334	1,189,155
Energy lease	82,531	87,430	92,621	98,119	103,944	619,945
Total principal	849,976	1,063,421	1,232,593	1,417,531	1,573,278	10,109,100
<b>Interest:</b>						
<b>G.O. Bonds:</b>						
Series 2008A	619,693	614,209	603,831	589,993	572,690	2,387,865
Series 2008B	430,438	413,813	400,688	388,438	374,375	1,600,112
Series 2009A	260,210	258,179	251,841	242,335	232,035	990,175
<b>Capital leases:</b>						
Energy lease	227,681	219,135	210,153	200,713	190,792	786,475
Energy lease	147,158	142,259	137,068	131,570	125,745	528,501
Total interest	1,685,180	1,647,595	1,603,581	1,553,049	1,495,637	6,293,128
Total principal and interest	\$ 2,535,156	\$ 2,711,016	\$ 2,836,174	\$ 2,970,580	\$ 3,068,915	\$ 16,402,228
						\$ 16,656,307
						\$ 9,811,269
						\$ 56,991,645
						\$ 38,319,228
						\$ 14,980,000
						\$ 3,810,000
						\$ 5,360,000
						\$ 2,085,000
						\$ 2,340,000
						\$ 1,705,000
						\$ 1,525,191
						\$ 827,149
						\$ 12,932,340
						\$ 9,140,989
						\$ 247,563
						\$ 175,312
						\$ 111,511
						\$ 70,500
						\$ 65,394
						\$ 18,672,417

5. Interfund transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At-Risk (K-12)	K.S.A. 72-6428	\$ 6,584
General Fund	Special Education	K.S.A. 72-6428	<u>1,383,258</u>
Total general fund transfers			<u>1,389,842</u>
Supplemental General Fund	At-Risk (K-12)	K.S.A. 72-6433	200,000
Supplemental General Fund	Special Education	K.S.A. 72-6433	<u>864,610</u>
Total supplemental general fund transfers			<u>1,064,610</u>
Total interfund transfers			<u>\$ 2,454,452</u>

6. Commitments

The District has the following lease agreements:

- a. Noncancelable operating lease - The District entered into a lease agreement with Konica Minolta in November 2007 for copiers and related equipment. This operating lease terminated the prior agreement with Xerox six months prior to the end of the original lease period. The lease period is for 60 months and requires total monthly payments of \$3,131.
- b. Noncancelable operating lease - The District entered into a lease agreement with Konica Minolta in July 2009 for a copier. The lease period is for 36 months and requires total monthly payments of \$755.
- c. Noncancelable operating lease - The District entered into a lease agreement with Pitney Bowes in November 2009 for a postage meter. The lease period is for 48 months and requires total quarterly payments of \$345.
- d. Future minimum rental payments required under the non-cancelable operating leases as of June 30, 2011 are as follows:

2012	\$ 48,010
2013	13,905
2014	<u>690</u>
Total	<u>\$ 62,605</u>

7. Capital projects

As of June 30, 2011, capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	Expenditures to date	Project authorizations
School improvements (see footnote 4)	\$ 30,280,770	\$ 30,405,021

8. Defined benefit plan

1. 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, Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737.

2. Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 79-49,210 establishes the KPERS member-employee contribution rate at 6% for employees hired after July 1, 2009. 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. Kansas currently contributes 8.57% of covered payroll for fiscal year 2010, and 9.17% of covered payroll for fiscal year 2011.

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, 2011, 2010, and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363 respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2011, 2010, and 2009 were \$439,955, \$497,072, and \$499,417, respectively.

9. Compensated absences

Accumulated vacation and sick leave paid during the current year are shown as an expenditure in the General Fund.

District policy requires the cancellation of accumulated sick leave upon termination of employment. Upon retirement, teachers who have a minimum of ten (10) years of service may be paid 90% of the substitute teacher rate at the time for the first 50 days of accumulated sick leave and 100% of the substitute teacher rate for 51-100 days of accumulated sick leave. If a teacher has eight (8) years of service and has accumulated sick leave of at least 66 days, the teacher may request by June 15 each year to be paid for any days accumulated over 65 at 90% of the substitute teacher rate in effect at the time.

Classified employee retirement after a minimum of ten (10) years of service may be paid at 30% of the daily rate for the first 50 days of accumulated sick leave and 35% of the daily rate for 51-100 days of accumulated sick leave. If a classified employee has five (5) years of service and has accumulated at least 66 days of sick leave, the employee may request by June 15 each year to be paid for any days over 65 at 30% of the daily rate of pay in effect at that time.

The financial statements for the years ended June 30, 2011 and 2010 are prepared in accordance with the cash basis and budget laws of the State of Kansas. Therefore, no liability is recorded for unpaid vacation and sick leave.

10. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require 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 on June 30. The following shows the revenue as required by these Statutes.

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET  
For the Year Ended June 30, 2011  
GENERAL FUND

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
<b>Statutory revenues:</b>				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 628,533	\$ 61,474	\$ 312,144	\$ (250,670)
Ad valorem property - current taxes	2,451,381	2,675,022	2,319,957	355,065
Delinquent	282,804	353,423	104,055	249,368
State aid:				
Equalization aid	4,838,651	5,044,343	5,872,725	(828,382)
Special education services	1,177,208	1,313,929	1,323,375	(9,446)
Federal aid:				
ARRA stabilization	402,334	172,768	172,768	-
Education jobs fund	-	302,516	-	302,516
Reimbursed expenses	226,405	490,217	-	490,217
<b>Total statutory revenues</b>	<b>10,007,316</b>	<b>10,413,692</b>	<b>\$10,105,024</b>	<b>\$ 308,668</b>
<b>Expenditures:</b>				
Instruction	4,010,747	5,881,751	\$ 5,703,660	\$ (178,091)
Student support services	164,545	93,042	382,875	289,833
Instructional support staff	235,005	180,571	383,656	203,085
General administration	368,659	242,881	345,200	102,319
School administration	733,636	734,142	749,758	15,616
Central services	30,601	71,836	-	(71,836)
Operations and maintenance	1,131,747	1,182,463	493,500	(688,963)
Student transportation services	649,667	637,350	663,000	25,650
Other support services	3,115	(186)	-	186
Transfers out	2,679,594	1,389,842	1,383,375	(6,467)
Adjustment to comply with legal max	-	-	(181,549)	(181,549)
Legal general fund budget	10,007,316	10,413,692	9,923,475	(490,217)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	490,217	490,217
<b>Total expenditures</b>	<b>10,007,316</b>	<b>10,413,692</b>	<b>\$10,413,692</b>	<b>\$ -</b>
Statutory revenue over (under) expenditures	-	-		
Prior year canceled encumbrances	-	1,495		
Modified unencumbered cash, beginning of year	-	-		
Modified unencumbered cash, end of year	\$ -	\$ 1,495		

10. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (continued)

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET  
For the Year Ended June 30, 2011  
SUPPLEMENTAL GENERAL FUND

	Prior Year Statutory Transactions	Current year		Variance - over (under)
		Statutory Transactions	Budget	
<b>Statutory revenues:</b>				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ (277,411)	\$ 79,379	\$ 157,594	\$ (78,215)
Ad valorem property - current taxes	3,246,502	2,574,373	2,155,764	418,609
Delinquent	212,592	274,940	128,175	146,765
Motor vehicle	232,820	240,175	274,243	(34,068)
Recreational vehicle	1,340	1,096	1,356	(260)
State aid:				
Equalization aid	-	97,458	97,777	(319)
Reimbursements	900	-	-	-
<b>Total statutory revenues</b>	<b>3,416,743</b>	<b>3,267,421</b>	<b>\$ 2,814,909</b>	<b>\$ 452,512</b>
<b>Expenditures:</b>				
Instruction	1,293,226	753,478	\$ 158,872	\$ (594,606)
Student support services	134,677	96,684	102,000	5,316
Instructional support staff	107,351	74,867	25,000	(49,867)
General administration	164,745	159,753	122,500	(37,253)
School administration	176,591	107,519	-	(107,519)
Central services	253,853	141,648	-	(141,648)
Operations and maintenance	860,258	891,775	1,577,000	685,225
Student transportation services	-	-	-	-
Other support services	124,006	38	-	(38)
Transfers out	51,687	1,064,610	1,305,000	240,390
Adjustment to comply with legal max	-	-	-	-
Legal supplemental general fund budget	3,166,394	3,290,372	3,290,372	-
Adjustment for qualifying budget credits	-	-	-	-
Reimbursements	-	-	-	-
<b>Total expenditures</b>	<b>3,166,394</b>	<b>3,290,372</b>	<b>\$ 3,290,372</b>	<b>\$ -</b>
Statutory revenues over (under) expenditures	250,349	(22,951)		
Modified unencumbered cash, beginning of year	244,991	495,340		
Modified unencumbered cash, end of year	\$ 495,340	\$ 472,389		

**ADDITIONAL INFORMATION**

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS\*

Year ended June 30, 2011

Federal Grantor/pass-through grantor/program title (pass-through number)	Federal CFDA number	Program or award amount	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances	Ending cash balance
<u>U.S. Department of Education</u>								
Passed through Kansas Department of Education:								
Title I, part A cluster:								
Title I grants to local education agencies (DO203 3532-3520 3520)	84.010	\$ 72,969	\$ -	\$ 72,969	\$ 72,969	\$ -	\$ -	\$ -
Title I grants to local education agencies, Recovery Act (DO203 3532-3525 3525)	84.389	20,000	-	20,000	20,000	-	-	-
Subtotal Title I, part A cluster		92,969	-	92,969	92,969	-	-	-
Education technology state grants (DO203 3233-3040 3040 9962)	84.318	247	-	247	247	-	-	-
Improving teacher quality state grants (DO203 3526-3860 3860)	84.367	29,875	-	29,875	29,875	-	-	-
State fiscal stabilization fund - education state grants, Recovery Act (DO203 S394A090017)	84.394	172,768	-	172,768	172,768	-	-	-
Education Jobs Fund (DO203 S410A100017)	84.410	302,516	-	302,516	302,516	-	-	-
<b>Total U.S. Department of Education</b>		<b>598,375</b>	<b>-</b>	<b>598,375</b>	<b>598,375</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>U.S. Department of Agriculture</u>								
Passed through Kansas Department of Education:								
National school lunch program (DO203 3530-3500 3500 9902/9912)	10.555	186,801	-	186,801	186,801	-	-	-
State administrative expenses for child nutrition (DO203 3230-3020 R201)	10.560	1,000	-	1,000	1,000	-	-	-
<b>Total U.S. Department of Agriculture</b>		<b>187,801</b>	<b>-</b>	<b>187,801</b>	<b>187,801</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total federal assistance</b>		<b>\$786,176</b>	<b>\$ -</b>	<b>\$786,176</b>	<b>\$ 786,176</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\*Note 1 on page 41 is an integral part of this Schedule of Expenditures of Federal Awards.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2011

1. Basis of accounting

a. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of this schedule of expenditures of federal awards, 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, with disbursements being adjusted for prior year's 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 in accordance with K.S.A. 75-1120a(c)(1) to waive reporting in accordance with accounting principles generally accepted in the United States of America, which allows the District to utilize the statutory basis of accounting.

b. 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, and cash and unencumbered cash balances.

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.

**COMPLIANCE SECTION**



# Kramer & Associates CPAs, LLC

*Making the right move for your business*

Tony Kramer, CPA  
Joseph J. Wood, CPA  
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Amy Schwinn, CPA  
Sherrie Hodges, CPA  
John Volis, CPA  
Dana Splichal, CPA

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

To the Board of Education  
Unified School District No. 203,  
Kansas City, Kansas

We have audited the financial statements of Unified School District No. 203, (the "District"), Kansas City, Kansas, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 13, 2012. Those financial statements were prepared on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Independent Auditors' Report expressed an unqualified opinion on the cash basis and budget law financial statements of Unified School District No. 203, Kansas City, Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting (2011-1, 2011-2, and 2011-3). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

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

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education and committees thereto, management, others within the entity, U.S. Department of Education, U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*KRAMER & ASSOCIATES CPAs, L.L.C.*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
February 13, 2012



# Kramer & Associates CPAs, LLC

*Making the right move for your business*

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

Tony Kramer, CPA  
Joseph J. Wood, CPA  
Megan Todd, CPA  
Amy Schwinn, CPA  
Sherrie Hodges, CPA  
John Vohs, CPA  
Dana Spichal, CPA

To the Board of Education  
Unified School District No. 203,  
Kansas City, Kansas  
Compliance

We have audited the compliance of Unified School District No. 203, (the "District"), Kansas City, Kansas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect of each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express opinions on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2011-4. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's responses to the findings identified in our audit are described in the accompanying schedule of finding and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of the Board of Education and committees thereto, management, others within the entity, the U.S. Department of Education, the U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Kramer & Associates CPAs, L.L.C.*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
February 13, 2012

UNIFIED SCHOOL DISTRICT NO. 203,  
KANSAS CITY, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2011

**A. Summary of Audit Results**

1. The Independent Auditors' Report expressed an unqualified opinion on the cash basis and budget law financial statements of Unified School District No. 203, Kansas City, Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America.
2. No deficiencies in internal control over financial reporting were considered to be material weaknesses. Three significant deficiencies in internal control over financial reporting were reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Unified School District No. 203, Kansas City, Kansas were disclosed during the audit.
4. No deficiencies in internal control over major federal award programs were considered to be material weaknesses. There was one significant deficiency in internal control over major federal programs reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 expressed unqualified opinions for each major federal program of Unified School District No. 203, Kansas City, Kansas.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The programs tested as major programs included:

United States Department of Education

CFDA No.	Title
84.394	State Fiscal Stabilization Fund Education Grants, Recovery Funds
84.410	Education Jobs Fund

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Unified School District No. 203, Kansas City, Kansas, was not determined to be a low-risk auditee.

**B. Findings - Financial Statement Audit**

**2011-1 Significant deficiency: Segregation of duties**

<i>Criteria</i>	No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Specifically, there are three critical duties that should be separated for internal control purposes: signing checks, maintaining fund accounting records, and reconciling the bank statements.
<i>Condition</i>	The District does not have complete segregation of duties with respect to financial transactions and reporting.
<i>Cause</i>	The District does not have the resources and it is not cost beneficial to hire the staff needed for a complete segregation of duties.
<i>Effect</i>	Errors in processing transactions and financial reporting and/or the misappropriation of assets might not be detected in a timely manner or might not be detected at all.
<i>Recommendation</i>	The District should take steps to have as many financial transactions as possible independently reviewed.

UNIFIED SCHOOL DISTRICT NO. 203,  
KANSAS CITY, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2011

*Management's Response* Adjustments of accounting personnel duties have been made and implemented to eliminate single person adjustments to District accounts. Duties are segregated into accounts payable, payroll, and bank reconciliation functions. Processes implemented include bank reconciliation clerk documenting accounting adjustments to be made as a result of banking fees, interest earned, collection of returned checks, etc. The accounts payable clerk makes the documented entries into the accounting system. Bank reconciliations are reviewed by the Board of Education on a monthly basis. All documentation is filed for audit purposes.

**2011-2 Significant deficiency: Design of Internal Control over the Preparation of Accounting Information**

*Criteria* The District should maintain effective control over the preparation and review of financial reports.

*Condition* The District has not maintained consistent, effective control over the preparation and review of financial reports as the year-end financial reports that were presented for audit contained errors, inconsistencies, and budget violations.

*Cause* This was due to various entries made into the accounting system that were either entered in the wrong accounts, the transaction type was not setup correctly, or there was a miscommunication about the treatment of the transaction.

*Effect* This resulted in adjustments, including audit adjustments, to the financial reports. Inaccuracies, such as those described, can result in a reduction of state aid and reporting of incorrect amounts to the state in the submitted budget document as well as budget violations.

*Recommendation* We recommend that District management continues to review the accounting records for accuracy and completeness and that any adjustments or transactions needed be communicated and processed in a timely basis.

*Management's Response* Additional steps are being taken to better communicate and document any adjustments needed to financial information.

**2011-3 Significant deficiency: Design of Internal Control over the Preparation of Payroll Information**

*Criteria* The District requires every classified employee to complete and submit a time sheet indicating hours worked during the pay period. The completed timesheets are due to the payroll administrator at the end of each pay period and the due dates are provided to employees at the beginning of each school year.

Also, District policy is to pay classified employees a set amount over twelve months, based on an estimated number of hours, with overtime paid for all time worked in excess of 40 hours in any one workweek.

*Condition* Our tests indicated that employee time sheets are not always completed correctly, not always submitted on a timely basis, and do not always contain documentation of approval by supervisors. We further noted that most time sheets were totaled by the payroll administrator and not by the employee and supervisor, resulting in inefficiencies. This also creates a deficiency in internal control as the payroll administrator is determining hours to be paid in addition to generating the payment.

Our tests further indicated that when overtime is documented on time sheets the payroll administrator adjusts the employee's paycheck for that pay period. However, we noted that a reconciliation detailing the estimated hours set at the beginning of the school year and the actual hours worked and compensated for the year is not documented.

UNIFIED SCHOOL DISTRICT NO. 203,  
KANSAS CITY, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2011

*Cause* The payroll process and the time records utilized by the District have been in place for a number of years. As such, employees are used to the system and hesitate to make changes. In addition, there has not been proper enforcement of the policies due to a lack of communication to management.

*Effect* Inadequate controls over time records could result in incorrect payments for work performed, as well as reporting incorrect cost allocations to various grantor agencies.

*Recommendation* Since the time sheets are the source documents supporting the District's payroll expenditures, we recommend that employees be required to fill out the sheets accurately and completely, including totals of regular time, overtime, and extra duty hours. The supervisors, who will be generally knowledgeable about their employees' attendance, hours, and work assignments during the pay period, should sign each time card indicating review and approval of hours worked. The review determines that the employees have recorded time only when it had actually been worked and that the allocation of time was appropriate and reasonable. The supervisors should be responsible for obtaining the cards from employees and submitting them to the payroll administrator on time.

We recommend that the payroll administrator also scrutinize the time sheets to ensure completeness and that overtime is paid only when an employee works more than forty hours in a week. We further recommend that an annual reconciliation of hours worked be performed and compared to the estimated hours that the pay is based upon. If discrepancies are noted, then adjustments can be made as needed. We believe that these procedures will increase the District's control over payroll costs and their accurate recording and also help ensure that wages are paid for work actually performed.

*Management's Response* Management intends to look into the payroll timekeeping system and make changes to the time sheets and recording of time. Management will stress the importance of accurate timekeeping and will monitor the timely submission of timesheets. In addition, an annual reconciliation of time will be performed and documented.

**C. Findings and questioned costs - Major Federal Awards Programs Audit**

**2011-4 Significant deficiency: Accounting for Federal Funds**

*Criteria* Per OMB A-133 2011 Compliance Supplement, "Federal agencies must require recipients to agree to maintain records that identify adequately the source and application of ARRA awards." Additionally, the general information provided by the Kansas Department of Education stated that districts must account for the ARRA and Education Jobs Grant monies separately within the general fund and that the expenditures in the line items for these funds must total the amount provided to the district.

*Condition* While a separate accounting of ARRA expenditures and Education Jobs Fund expenditures was maintained, the expenditure amount for each grant was not reconciled to agree to the grant revenue.

*Cause* The cause of the deficiency is attributed to the miscommunication as to the allocation of salaries to be paid from these funds; furthermore, no supervisory review was performed.

*Effect* Incorrect amounts reported to state and federal funding agencies may result in reduced funding if improper allocations are not prevented, or detected and corrected.

*Recommendation* We recommend that financial reports be reviewed and monitored for accuracy and compliance with federal and state requirements.

*Management's Response* Additional steps are being taken to ensure proper communication of adjustments needed.

UNIFIED SCHOOL DISTRICT NO. 203,  
KANSAS CITY, KANSAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2011

**Findings - Financial Statement Audit**

**2010-1 Significant deficiency: Segregation of Duties**

**Criteria:** No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Specifically, there are three critical duties that should be separated for internal control purposes: signing checks, maintaining fund accounting records, and reconciling the bank statements.

**Condition:** The District does not have complete segregation of duties with respect to financial transactions and reporting.

**Cause:** The District does not have the resources and it is not cost beneficial to hire the staff needed for a complete segregation of duties.

**Effect:** Errors in processing transactions and financial reporting and/or the misappropriation of assets might not be detected in a timely manner or might not be detected at all.

**Recommendation:** The District should take steps to have as many financial transactions as possible independently reviewed.

**Status of Finding:** The District has taken steps to have transactions independently reviewed. However, the condition still remains and is reported in the schedule of findings and questioned costs as finding number 2011-1.

**2010-2: Material weakness: Design of Internal Control over the Preparation of Accounting Information**

**Criteria:** The District should maintain effective control over the preparation and review of financial reports.

**Condition:** The District has not maintained effective control over the preparation and review of financial reports. The year-end financial reports that management prepared and presented for audit contained a number of errors, inconsistencies, and omissions.

**Cause:** This, in part, was due to various payroll and accounting entries made into the accounting system that were either entered into the wrong accounts or the transaction type was not setup correctly. Another reason for the inaccuracies was the lack of training and software support provided to the individuals performing the accounting and payroll functions.

**Effect:** This resulted in adjustments, including audit adjustments, to the financial reports. Inaccuracies, such as those described above, can result in a reduction of state aid and the reporting of incorrect amounts to the state in the submitted budget document.

**Recommendation:** Our recommendation is to locate continuing education and training opportunities and to encourage the accounting staff to attend seminars and training to help them keep up to date with software changes and with changing laws and regulations as they pertain to accounting and payroll. We further recommend management review the accounting records on a monthly basis.

**Status of Finding:** The condition still remains and is reported in the schedule of findings and questioned costs as finding number 2011-2.

UNIFIED SCHOOL DISTRICT NO. 203,  
KANSAS CITY, KANSAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2011

**2010-3: Material weakness: Review of Bank Reconciliations**

**Criteria:** Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements.

**Condition:** During much of the year, the operating bank account reconciliations appeared to be generally incomplete. Specifically, they contained unreconciled differences.

**Cause:** It appears that the differences stem from the accounting for payroll expenditures and the timing of when and how they are disbursed and posted.

**Effect:** An unreconciled difference can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent.

**Recommendation:** We recommend that reconciliations be reviewed for accuracy and completeness on a timely basis by someone other than the preparer. We further recommend that the review take place within one week of the completion of the bank reconciliation and include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any entries deemed necessary as a result, be recorded. In addition, we recommend that any differences noted be corrected in a timely manner and that personnel take steps to make sure the differences do not occur again.

**Status of Finding:** Bank reconciliations are prepared within a week of receiving the bank statements and the bank reconciliation and cash summary reports are provided to the Board of Education on a monthly basis for their review. Differences noted on the bank reconciliation are investigated by the board clerk and other office personnel and corrections are made in a timely manner.

**Findings - Major Federal Award Programs Audit**

None.