

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**

Primary Government Financial Statements  
With Independent Auditors' Report

For the Year Ended June 30, 2011

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
Primary Government Financial Statements With Independent Auditors' Report  
For the Year Ended June 30, 2011

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For the Year Ended June 30, 2011

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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
**Unified School District No. 431 Hoisington, Kansas**  
Hoisington, Kansas

We have audited the accompanying primary government financial statements of **Unified School District No. 431 Hoisington, Kansas**, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of **Unified School District No. 431 Hoisington, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the cash and unencumbered cash balances of the aggregate discretely presented component unit would have been reported as \$315,725 for Unified School District No. 431, Hoisington Education Foundation.

As described more fully in Note 1, **Unified School District No. 431 Hoisington, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose 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 matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Unified School District No. 431 Hoisington, Kansas**, as of June 30, 2011, or the changes in its financial position for the year then ended. Further, **Unified School District No. 431 Hoisington, Kansas** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

**Unified School District No. 431 Hoisington, Kansas**

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In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **Unified School District No. 431 Hoisington, Kansas**, as of June 30, 2011, and their respective cash receipts and disbursements and budgetary results 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 October 03, 2011 on our consideration of **Unified School District No. 431 Hoisington, Kansas**' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Unified School District No. 431 Hoisington, Kansas**' financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 is 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, in relation to the financial statements as a whole.

*Adams, Brown, Beran & Ball*

**ADAMS, BROWN, BERAN & BALL, CHTD.**

Certified Public Accountants

October 03, 2011

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Fund Categories</b>							
<b>General Funds</b>							
General Fund	\$ (387,009)	-	4,851,999	4,764,338	(299,348)	88,879	(210,469)
Supplemental General Fund	(45,250)	-	1,407,678	1,325,000	37,428	-	37,428
<b>Special Revenue Funds</b>							
Contingency Reserve Fund	479,000	-	-	-	479,000	-	479,000
Capital Outlay Fund	423,621	-	282,630	147,947	558,304	17,375	575,679
Driver Training Fund	19,577	-	18,191	12,110	25,658	-	25,658
Professional Development Fund	21,817	-	8,000	5,851	23,966	960	24,926
Food Service Fund	114,962	6	424,400	422,595	116,773	927	117,700
Special Education Fund	219,868	-	781,936	763,227	238,577	-	238,577
Vocational Education Fund	52,848	-	216,573	193,237	76,184	7,922	84,106
Textbook Rental Fund	32,770	-	29,085	24,100	37,755	847	38,602
KPERS Special Retirement Contribution Fund	-	-	205,263	205,263	-	-	-
At Risk / 4 Year Fund	25,482	-	100,240	69,580	56,142	338	56,480
At Risk / K-12 Fund	44,159	-	373,815	349,872	68,102	-	68,102
Gifts and Grants Fund	2,456	-	15,365	14,674	3,147	-	3,147
Title I - 2009 Fund	497	-	28,511	29,008	-	-	-
Title I - 2010 Fund	-	-	150,993	152,511	(1,518)	-	(1,518)
Title I - ARRA Fund	(436)	-	8,938	8,502	-	-	-
Title II Fund	-	-	26,850	26,850	-	-	-
Title II - D Fund	-	-	526	526	-	-	-
Title II - D - ARRA Fund	(25)	-	2,238	2,213	-	-	-
Recreation Commission Fund	-	-	124,583	119,560	5,023	-	5,023
Recreation Commission Employee Benefit Fund	-	-	20,774	19,925	849	-	849
District Activity Funds	679	-	38,982	38,196	1,465	-	1,465
<b>Debt Service Fund</b>							
Bond and Interest Fund	1,132,881	-	967,130	900,054	1,199,957	-	1,199,957
<b>Fiduciary Fund Category</b>							
Private Purpose Trust Fund	-	-	-	-	-	-	-
Scholarship Fund	127,000	-	5,179	5,179	127,000	4,397	131,397
<b>Total Primary Government (Excluding Agency Funds)</b>	<b>\$ 2,264,897</b>	<b>6</b>	<b>10,089,879</b>	<b>9,600,318</b>	<b>2,754,464</b>	<b>121,645</b>	<b>2,876,109</b>
<b>Composition of Cash</b>							
						\$	(334,132)
							3,153,674
							2,855
							100
							127,300
							2,949,797
							(73,688)
						\$	2,876,109

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Summary of Expenditures - Actual and Budget  
 For the 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 Fund Categories</b>						
<b>General Funds</b>						
General Fund	\$ 4,814,400	(114,409)	64,347	4,764,338	4,764,338	-
Supplemental General Fund	1,325,000	-	-	1,325,000	1,325,000	-
<b>Special Revenue Funds</b>						
Capital Outlay Fund	430,407	-	-	430,407	147,947	(282,460)
Driver Training Fund	13,050	-	-	13,050	12,110	(940)
Professional Development Fund	32,500	-	-	32,500	5,851	(26,649)
Food Service Fund	485,000	-	-	485,000	422,595	(62,405)
Special Education Fund	777,915	-	-	777,915	763,227	(14,688)
Vocational Education Fund	195,000	-	-	195,000	193,237	(1,763)
KPERS Special Retirement Contribution Fund	322,186	-	-	322,186	205,263	(116,923)
At Risk / 4 Year Fund	111,000	-	-	111,000	69,580	(41,420)
At Risk / K-12 Fund	395,000	-	-	395,000	349,872	(45,128)
Recreation Commission Fund	119,560	-	-	119,560	119,560	-
Recreation Commission Employee Benefit Fund	19,925	-	-	19,925	19,925	-
<b>Debt Service Fund</b>						
Bond and Interest Fund	900,054	-	-	900,054	900,054	-

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

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Current Taxes	\$ 603,244	663,972	635,165	28,807
Delinquent Taxes	13,395	29,311	6,445	22,866
Intergovernmental Revenues				
Mineral Severance Tax	16,465	27,397	-	27,397
Equalization Aid	2,981,406	3,293,227	3,523,502	(230,275)
Special Education Fund	508,199	554,404	569,557	(15,153)
Federal Aid	800	1,870	-	1,870
Federal Aid - ARRA	210,023	79,731	79,731	-
Federal Aid - Education Jobs Fund	-	139,610	-	139,610
State Aid	2,848	2,190	-	2,190
Other Local Sources				
Miscellaneous Revenue	46,898	60,287	-	60,287
<b>Total Cash Receipts</b>	<b>4,383,278</b>	<b>4,851,999</b>	<b>4,814,400</b>	<b>37,599</b>
<b>Expenditures</b>				
Instruction	1,136,451	1,020,302	1,133,087	(112,785)
Student Support Services	123,450	126,634	128,678	(2,044)
Instructional Support Services	230,938	222,908	229,031	(6,123)
General Administration	251,336	247,481	262,719	(15,238)
School Administration	372,410	414,439	366,898	47,541
Operations and Maintenance	662,242	780,108	782,724	(2,616)
Vehicle Operating Services	147,971	153,775	196,775	(43,000)
Transfers Out	1,605,948	1,798,691	1,714,488	84,203
(a) Adjustment for Qualifying				
Budget Credits	-	-	64,347	(64,347)
Adjustment to Comply with Legal Max	-	-	(114,409)	114,409
<b>Total Expenditures and Legal General Fund Budget</b>	<b>4,530,746</b>	<b>4,764,338</b>	<b>4,764,338</b>	<b>-</b>
Cash Receipts Over (Under) Expenditures	(147,468)	87,661		
Unencumbered Cash - Beginning	(239,637)	(387,009)		
Prior Year Cancelled Encumbrances	96	-		
Unencumbered Cash - Ending	\$ (387,009)	(299,348)		
<b>(a) Adjustment for Qualifying Budget Credits</b>				
Federal Aid, State Aid and Miscellaneous Revenue				
Over Amount Budgeted				
			\$ 64,347	

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

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
**Supplemental General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Current Taxes	\$ 740,857	813,552	766,433	47,119
Delinquent Taxes	13,472	29,669	7,152	22,517
Intergovernmental Revenues				
Equalization Aid	341,392	564,457	515,515	48,942
Federal Aid - ARRA	105,105	-	-	-
<b>Total Cash Receipts</b>	1,200,826	1,407,678	1,289,100	118,578
<b>Expenditures</b>				
Instruction	1,260,000	1,325,000	1,325,000	-
<b>Cash Receipts Over (Under) Expenditures</b>	(59,174)	82,678		
<b>Unencumbered Cash - Beginning</b>	13,924	(45,250)		
<b>Unencumbered Cash - Ending</b>	\$ (45,250)	37,428		

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Contingency Reserve Fund  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	479,000	479,000
Unencumbered Cash - Ending	\$ 479,000	479,000

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
**Capital Outlay Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over Under (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Other Local Sources				
Interest on Idle Funds	\$ 31,265	17,188	35,000	(17,812)
Reimbursed Expenditures	74,030	33,948	100,000	(66,052)
Transfers In	120,189	231,494	40,000	191,494
<b>Total Cash Receipts</b>	<u>225,484</u>	<u>282,630</u>	<u>175,000</u>	<u>107,630</u>
<b>Expenditures</b>				
Instruction	29,921	-	50,000	(50,000)
Student Support Services	-	-	10,000	(10,000)
Instructional Support Services	-	-	10,000	(10,000)
General Administration	-	-	10,000	(10,000)
School Administration	-	-	10,000	(10,000)
Central Services	117,294	132,447	10,000	122,447
Operations and Maintenance	49,649	-	25,000	(25,000)
Vehicle Operating Services	-	-	100,000	(100,000)
Facility Acquisition and Construction	509,480	-	155,407	(155,407)
Capital Outlay	-	15,500	50,000	(34,500)
<b>Total Expenditures</b>	<u>706,344</u>	<u>147,947</u>	<u>430,407</u>	<u>(282,460)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(480,860)	134,683		
<b>Unencumbered Cash - Beginning</b>	<u>904,481</u>	<u>423,621</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>423,621</u>	<u>558,304</u>		

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Driver Training Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental Revenue				
State Aid	\$ 2,250	2,516	3,150	(634)
Other Local Sources				
Fees	4,350	4,675	5,000	(325)
Transfers In	5,943	11,000	10,000	1,000
<b>Total Cash Receipts</b>	<u>12,543</u>	<u>18,191</u>	<u>18,150</u>	<u>41</u>
<b>Expenditures</b>				
Instruction	9,949	10,597	10,950	(353)
Vehicle Operating Services	1,961	1,513	2,100	(587)
<b>Total Expenditures</b>	<u>11,910</u>	<u>12,110</u>	<u>13,050</u>	<u>(940)</u>
Cash Receipts Over (Under) Expenditures	633	6,081		
Unencumbered Cash - Beginning	18,944	19,577		
Unencumbered Cash - Ending	\$ <u>19,577</u>	<u>25,658</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
**Professional Development Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Other Local Sources				
Transfers In	\$ 32,500	8,000	20,000	(12,000)
<b>Total Cash Receipts</b>	32,500	8,000	20,000	(12,000)
<b>Expenditures</b>				
Instructional Support Services	16,735	5,851	32,500	(26,649)
<b>Cash Receipts Over (Under) Expenditures</b>	15,765	2,149		
<b>Unencumbered Cash - Beginning</b>	6,052	21,817		
<b>Unencumbered Cash - Ending</b>	\$ 21,817	23,966		

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
**Food Service Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental Revenues				
Federal Aid	\$ 197,001	201,879	155,520	46,359
State Aid	3,742	3,658	3,013	645
Other Local Sources				
Lunch Receipts - Students	155,398	138,098	118,737	19,361
Miscellaneous Revenue	-	559	5,000	(4,441)
Transfers In	75,000	80,206	100,000	(19,794)
<b>Total Cash Receipts</b>	<u>431,141</u>	<u>424,400</u>	<u>382,270</u>	<u>42,130</u>
<b>Expenditures</b>				
Operations and Maintenance	17,563	13,886	-	13,886
Food Service Operations	411,407	408,709	485,000	(76,291)
<b>Total Expenditures</b>	<u>428,970</u>	<u>422,595</u>	<u>485,000</u>	<u>(62,405)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	2,171	1,805		
<b>Unencumbered Cash - Beginning</b>	112,691	114,962		
<b>Prior Year Cancelled Encumbrances</b>	100	6		
<b>Unencumbered Cash - Ending</b>	\$ <u>114,962</u>	<u>116,773</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
**Special Education Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Other Local Sources				
Transfers In	\$ 802,289	781,936	810,000	(28,064)
<b>Expenditures</b>				
Instructional Support Services	708,216	730,874	744,915	(14,041)
Vehicle Operating Services	30,708	32,353	33,000	(647)
<b>Total Expenditures</b>	738,924	763,227	777,915	(14,688)
<b>Cash Receipts Over (Under) Expenditures</b>	63,365	18,709		
<b>Unencumbered Cash - Beginning</b>	156,503	219,868		
<b>Unencumbered Cash - Ending</b>	\$ 219,868	238,577		

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Vocational Education Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental Revenues				
Perkins Grant	\$ 6,000	3,090	-	3,090
Other Local Sources				
Miscellaneous Receipts	-	1,483	10,000	(8,517)
Transfers In	157,527	212,000	170,000	42,000
<b>Total Cash Receipts</b>	<u>163,527</u>	<u>216,573</u>	<u>180,000</u>	<u>36,573</u>
<b>Expenditures</b>				
Instruction	171,478	190,845	190,000	845
Student Support Services	-	1,825	5,000	(3,175)
Operations and Maintenance	-	567	-	567
<b>Total Expenditures</b>	<u>171,478</u>	<u>193,237</u>	<u>195,000</u>	<u>(1,763)</u>
Cash Receipts Over (Under) Expenditures	(7,951)	23,336		
Unencumbered Cash - Beginning	60,799	52,848		
Unencumbered Cash - Ending	\$ <u>52,848</u>	<u>76,184</u>		

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
**Textbook Rental Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Other Local Sources		
Book Rental Fees	\$ 29,728	29,085
<b>Expenditures</b>		
Textbooks	17,773	24,100
<b>Cash Receipts Over (Under) Expenditures</b>	11,955	4,985
<b>Unencumbered Cash - Beginning</b>	20,815	32,770
<b>Unencumbered Cash - Ending</b>	\$ 32,770	37,755

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 KPERS Special Retirement Contribution Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental Revenue				
State Aid	\$ 247,835	205,263	322,186	(116,923)
<b>Expenditures</b>				
Instruction	185,876	153,947	195,000	(41,053)
Student Support Services	6,568	5,439	10,000	(4,561)
Instructional Support Services	7,187	5,953	10,000	(4,047)
General Administration	10,409	8,621	24,500	(15,879)
School Administration	7,187	5,953	40,186	(34,233)
Operations and Maintenance	13,011	10,776	15,000	(4,224)
Student Transportation Services	7,187	5,953	7,500	(1,547)
Food Service Operations	10,410	8,621	20,000	(11,379)
<b>Total Expenditures</b>	247,835	205,263	322,186	(116,923)
Cash Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	-	-		
Unencumbered Cash - Ending	\$ -	-		

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 At Risk / 4 Year Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Other Local Sources Transfers In	\$ 62,500	100,240	<u>80,240</u>	<u>20,000</u>
<b>Expenditures</b>				
Instruction	57,717	69,580	<u>111,000</u>	<u>(41,420)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	4,783	30,660		
<b>Unencumbered Cash - Beginning</b>	20,699	25,482		
<b>Unencumbered Cash - Ending</b>	\$ <u>25,482</u>	<u>56,142</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
**At Risk / K-12 Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Other Local Sources Transfers In	\$ 350,000	<b>373,815</b>	<u>363,888</u>	<u>9,927</u>
<b>Expenditures</b>				
Instruction	341,996	<b>349,872</b>	<u>395,000</u>	<u>(45,128)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	8,004	<b>23,943</b>		
<b>Unencumbered Cash - Beginning</b>	36,155	<b>44,159</b>		
<b>Unencumbered Cash - Ending</b>	\$ <u>44,159</u>	<u><b>68,102</b></u>		

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Gifts and Grants Fund  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental Revenue		
State Aid	\$ 2,940	4,355
Other Local Sources		
Contributions and Donations	9,219	11,010
<b>Total Cash Receipts</b>	12,159	15,365
<b>Expenditures</b>		
Instruction	11,471	14,674
<b>Cash Receipts Over (Under) Expenditures</b>	688	691
<b>Unencumbered Cash - Beginning</b>	1,768	2,456
<b>Unencumbered Cash - Ending</b>	\$ 2,456	3,147

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Title I - 2009 Fund  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental Revenue		
Federal Aid	\$ 144,332	28,511
<b>Expenditures</b>		
Instruction	143,835	29,008
<b>Cash Receipts Over (Under) Expenditures</b>	497	(497)
<b>Unencumbered Cash - Beginning</b>	-	497
<b>Unencumbered Cash - Ending</b>	\$ 497	-

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

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
**Title I - 2010 Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental Revenues		
Federal Aid	\$ 24,805	150,993
<b>Expenditures</b>		
Instruction	37,530	151,417
Student Support Services	-	1,094
<b>Total Expenditures</b>	<u>37,530</u>	<u>152,511</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(12,725)	(1,518)
<b>Unencumbered Cash - Beginning</b>	<u>12,725</u>	-
<b>Unencumbered Cash - Ending</b>	<u>\$ -</u>	<u>(1,518)</u>

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Title I - ARRA Fund  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental Revenue		
Federal Aid - ARRA	\$ 50,150	8,938
<b>Expenditures</b>		
Instruction	50,586	8,502
<b>Cash Receipts Over (Under) Expenditures</b>	(436)	436
<b>Unencumbered Cash - Beginning</b>	-	(436)
<b>Unencumbered Cash - Ending</b>	\$ (436)	-

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Title II Fund  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental Revenue		
Federal Aid	\$ 27,328	26,850
<b>Expenditures</b>		
Instruction	33,994	26,850
<b>Cash Receipts Over (Under) Expenditures</b>	(6,666)	-
<b>Unencumbered Cash - Beginning</b>	6,666	-
<b>Unencumbered Cash - Ending</b>	\$ -	-

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Title II - D Fund  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental Revenue		
Federal Aid	\$ 1,245	526
<b>Expenditures</b>		
Instruction	1,245	526
<b>Cash Receipts Over (Under) Expenditures</b>	-	-
<b>Unencumbered Cash - Beginning</b>	-	-
<b>Unencumbered Cash - Ending</b>	\$ -	-

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

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
**Title II - D - ARRA Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental Revenue		
Federal Aid - ARRA	\$ 824	2,238
<b>Expenditures</b>		
Instruction	849	2,213
<b>Cash Receipts Over (Under) Expenditures</b>	(25)	25
<b>Unencumbered Cash - Beginning</b>	-	(25)
<b>Unencumbered Cash - Ending</b>	\$ (25)	-

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Title IV - Drug Free Fund  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental Revenue		
Federal Aid	\$ 3,520	-
<b>Expenditures</b>		
Instruction	3,520	-
<b>Cash Receipts Over (Under) Expenditures</b>	-	-
<b>Unencumbered Cash - Beginning</b>	-	-
<b>Unencumbered Cash - Ending</b>	\$ -	-

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Recreation Commission Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Taxes	\$ 112,796	124,583	117,298	7,285
<b>Expenditures</b>				
Community Service Operations	119,886	119,560	119,560	-
<b>Cash Receipts Over (Under) Expenditures</b>	(7,090)	5,023		
<b>Unencumbered Cash - Beginning</b>	7,090	-		
<b>Unencumbered Cash - Ending</b>	\$ -	5,023		

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

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
**Recreation Commission Employee Benefit Fund**  
**Statement of Cash Receipts and Expenditures - Actual and Budget**  
**For the Year Ended June 30, 2011**  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Taxes	\$ 18,869	20,774	19,552	1,222
<b>Expenditures</b>				
Community Service Operations	20,237	19,925	19,925	-
<b>Cash Receipts Over (Under) Expenditures</b>	(1,368)	849		
<b>Unencumbered Cash - Beginning</b>	1,368	-		
<b>Unencumbered Cash - Ending</b>	\$ -	849		

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

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
**Bond and Interest Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Current Taxes	\$ 697,224	717,840	689,094	28,746
Delinquent Taxes	12,419	24,276	10,109	14,167
Intergovernmental Revenues				
State Aid	143,790	225,014	225,014	-
Other Local Sources				
Transfers In	243	-	-	-
<b>Total Cash Receipts</b>	<u>853,676</u>	<u>967,130</u>	<u>924,217</u>	<u>42,913</u>
<b>Expenditures</b>				
Principal	550,000	575,000	575,000	-
Interest	348,684	325,054	325,054	-
<b>Total Expenditures</b>	<u>898,684</u>	<u>900,054</u>	<u>900,054</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	(45,008)	67,076		
Unencumbered Cash - Beginning	<u>1,177,889</u>	<u>1,132,881</u>		
Unencumbered Cash - Ending	\$ <u>1,132,881</u>	<u>1,199,957</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
**Capital Projects Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
<b>Cash Receipts</b>		
Other Local Sources		
Interest on Idle Funds	\$ 17	-
<b>Expenditures</b>		
Transfers Out	<u>243</u>	<u>-</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(226)	-
<b>Unencumbered Cash - Beginning</b>	<u>226</u>	<u>-</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ -</u>	<u>-</u>

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
**Scholarship Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Other Local Sources		
Interest on Idle Funds	\$ 1,433	2,179
Scholarship Donations	3,000	3,000
<b>Total Cash Receipts</b>	4,433	5,179
<b>Expenditures</b>		
Scholarships	4,433	5,179
<b>Cash Receipts Over (Under) Expenditures</b>	-	-
<b>Unencumbered Cash - Beginning</b>	127,000	127,000
<b>Unencumbered Cash - Ending</b>	\$ 127,000	127,000

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
**Agency Funds**  
 Summary of Cash Receipts and Cash Disbursements  
 For the Year Ended June 30, 2011

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
<b>Student Organizations</b>				
Book Club	\$ 109	8	-	117
Cheerleaders	5,064	3,726	7,078	1,712
Class of 2010	2,647	11	2,655	3
Class of 2011	2,085	137	529	1,693
Class of 2012	446	13,075	10,605	2,916
Class of 2013	859	418	84	1,193
Class of 2014	157	4,030	2,598	1,589
Clearing	-	470	470	-
Danceline	821	4,611	3,695	1,737
Drama Club	1,519	80	-	1,599
FCCLA	461	31,798	28,246	4,013
GAL'S	222	1,492	1,644	70
Gift Account	769	403	170	1,002
H-Club	5,186	19,976	19,703	5,459
HFL	346	1,551	684	1,213
International	1,250	245	531	964
Kays	-	912	761	151
Lincoln	7,300	16,914	18,925	5,289
Middle School	5,083	33,096	28,931	9,248
Music-Band	805	401	769	437
Music-Vocal	4,579	2,999	1,564	6,014
National Honor Society	175	1,230	1,049	356
Pep Club	1,473	5,586	4,625	2,434
Roosevelt	2,620	32,283	22,915	11,988
Sr. High	3,867	3,504	3,767	3,604
Stuco	4,815	5,391	7,048	3,158
Video Production	501	516	151	866
Yearbook	5,487	13,238	13,862	4,863
<b>Total Student Organizations</b>	<b>\$ 58,646</b>	<b>198,101</b>	<b>183,059</b>	<b>73,688</b>

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

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 District Activity Funds  
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
 For the Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts							
Athletics	\$ 679	-	38,982	38,196	1,465	-	1,465

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

## UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Financial Statements

June 30, 2011

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Unified School District No. 431 Hoisington, Kansas** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to 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 following is a summary of such significant policies.

#### **Reporting Entity**

The District is a municipal corporation governed by an elected seven-member board. The financial statements of the District consist of all the funds of the District that are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The following is a component unit of the District. The District exercises significant influence or accountability based primarily on operational or financial relationships with the District (as distinct from legal relationships).

#### **Unified School District No. 431 Hoisington, Kansas Education Foundation**

Unified School District No. 431, Hoisington Education Foundation is organized as a nonprofit organization in the State of Kansas for the purpose of improving the quality of education for students and other supporting activities for the benefit of **Unified School District No. 431 Hoisington, Kansas**. The Foundation does not issue audited financial statements. Contact the District Clerk for information on how to obtain this financial information.

The District is the primary government as defined in GASB #14 and further amended by GASB #39. The School Board is elected by the public. The Board has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

#### **Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

#### **Basis of Presentation – Fund Accounting**

The accounts of the District are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the District for the year ended June 30, 2011.

#### **Governmental Fund Categories**

**General Fund** – to account for all financial resources except those required to be reported in another fund.

**Special Revenue Funds** – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Financial Statements

June 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**District Activity Funds** – a special revenue fund that accounts for the receipts and disbursements of monies from District activities. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. The students participate in the activities, but the board of education has control of the expenditures. This accounting reflects the District's agency relationship with the student activity organizations.

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

**Capital Projects Fund** – to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Fiduciary Fund Categories**

**Private Purpose Trust Fund** – to account for assets held by the District as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

**Agency Funds** – to account for assets held by the District as trustee or agent for others.

**Student Activity Funds** – an agency fund that accounts for the receipts and disbursements of monies from student activity organizations in which the students participate and are involved in the management of the organization's activities. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. The student organization approves the expenditure, not the Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

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

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

**Departure From 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 generally accepted

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
Notes to Financial Statements  
June 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

accounting principles. 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.

**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.

- a. Preparation of the budget for the succeeding fiscal year on or before August 1<sup>st</sup>.
- b. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15<sup>th</sup>, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were four budget amendments for this year for the General Fund, Food Service Fund, Vocational Education Fund, and the At Risk / K-12 Fund.

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

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

A legal operating budget is not required for capital project funds, fiduciary funds, and the following special revenue funds: Contingency Reserve Fund, Textbook Rental Fund, Gifts and Grants Fund, Title I - 2009 Fund, Title I - 2010 Fund, Title 1 - ARRA Fund, Title II Fund, Title II - D Fund, Title II-D-ARRA Fund, Title IV - Drug Free Fund, and District Activity 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 governing body.

**Deposits and Investments**

The District follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Financial Statements

June 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investments 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 K.S.A. 9-1405.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not use "peak periods". All deposits were legally secured at June 30, 2011.

At June 30, 2011, the District's carrying amount of deposits was \$2,949,797 and the bank balance was \$3,509,294. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$428,185 was covered by federal depository insurance and \$3,081,109 was collateralized with securities held by 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. The District had no investments at June 30, 2011.

**Compensated Absences**

The District's contracts with various employees permit the employees to accumulate various amounts of vacation time and sick leave. The contracts state that accumulated vacation time must be taken by the end of the contract date or the time will be lost.

The District is obligated to pay an employee \$80 per day for each accrued day above 50 days in accumulated sick leave when the individual departs from the District. An individual has the option of cashing out their accumulated days prior to leaving the District. This option has to be made between June 1st and July 1st of the year prior to the year the option is exercised. Annually, the District will pay out \$40,000 on a first come basis in September.

Full-time (certified) employees will be credited with 10 days sick leave on the first day of the fiscal year. Unused leave will be accumulated to a maximum of 80 days. The District is obligated to pay a teacher \$40 per day up to 10 days for an individual that has accumulated more than 80 sick days in a year. This payment will be made by June 30th of each year.

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
Notes to Financial Statements  
June 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Clerical and custodial (classified) employees will be credited with 10 days sick leave on the first day of the fiscal year. Unused leave will be accumulated to a maximum of 50 days. All other classified employees will be credited with 7 days sick leave. Unused leave will be accumulated to a maximum of 35 days.

A potential liability for sick leave is shown on the schedule of long-term debt.

**Deferred Compensation Plan**

The District sponsors a deferred compensation plan under Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The District is not required to make any contributions.

**Defined Benefit Pension Plan**

**Plan Description**

The District contributes to the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

**Funding Policy**

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERs according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The State currently contributes 9.17% of covered payroll and 20.48% for licensed KPERs retirees. These contribution requirements are established by KPERs and are periodically revised. The State of 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 \$205,263, \$247,835, and \$242,504, respectively.

**Other Post Employment Benefits**

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

**Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1<sup>st</sup> are due one-half by December 20<sup>th</sup> and one-half by May 10<sup>th</sup>. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**

Notes to Financial Statements

June 30, 2011

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Restricted Assets**

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust and agency funds of the District for special purposes.

**Reimbursements**

The District records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

**NOTE 2 – INTERFUND TRANSFERS**

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **Unified School District No. 431 Hoisington, Kansas'** interfund transfers and statutory authority for the year ended June 30, 2011 were as follows:

From	To	Statutory Authority	Amount
General Fund	Capital Outlay Fund	K.S.A. 72-8803	\$ 231,494
General Fund	Driver Training Fund	K.S.A. 72-6423	11,000
General Fund	Professional Development Fund	K.S.A. 72-9609	8,000
General Fund	Food Service Fund	K.S.A. 72-5119	80,206
General Fund	Special Education Fund	K.S.A. 72-6420	781,936
General Fund	Vocational Education Fund	K.S.A. 72-6421	212,000
General Fund	At Risk / 4 Year Fund	K.S.A. 72-6414a	100,240
General Fund	At Risk / K-12 Fund	K.S.A. 72-6414a	373,815

**NOTE 3 – LITIGATION**

**Unified School District No. 431 Hoisington, Kansas** is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the District.

**NOTE 4 – RISK MANAGEMENT**

**Unified School District No. 431 Hoisington, Kansas** is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other Districts in the State to participate in the Kansas Association of School Boards (KASB), a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The District pays an annual premium to the Kansas Association of School Boards for its workers' compensation insurance coverage. The agreement to participate provides that the Kansas Association of School Boards will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by the Kansas Association of School Boards management.

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**

Notes to Financial Statements

June 30, 2011

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**NOTE 4 – RISK MANAGEMENT (continued)**

The District continues to carry commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, umbrella, auto, fidelity bond coverage, and comprehensive collision insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 5 – GRANTS AND SHARED REVENUES**

**Unified School District No. 431 Hoisington, Kansas** participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

**NOTE 6 – COMPARATIVE DATA**

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **Unified School District No. 431 Hoisington, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

**NOTE 7 – LONG-TERM DEBT**

**Unified School District No. 431 Hoisington, Kansas** has the following types of long-term debt.

**Lease Obligations**

On July 17, 2008, the District entered into a lease agreement with Kansas Bank for \$1,196,250. Annual payments of \$111,464 began in the 2008-2009 fiscal year. The lease agreement is for energy conservation measures as agreed to with TAC Americas, Inc. on May 21, 2008. Although the Kansas Cash Basis Act requires lease agreements to be annually renewable and/or subject to annual appropriation of funds, the provisions of the cash basis law and K.S.A. 79-2925, and amendments thereto, do not apply to any contract or lease-purchase agreement entered into for the financing of energy conservation measures. As such, this lease agreement is not subject to annual appropriation of funds.

**Refunded Bonds**

On April 15, 2005, the District issued \$7,260,000 in General Obligation Refunding Bonds. The proceeds from the sale of the bonds were used to establish an escrow account for the annual payment of interest from September 1, 2005 through September 1, 2011 on bonds maturing in 2012 and thereafter, and to redeem on September 1, 2011, the principal of the District's outstanding General Obligation Bonds, Series 2001-A, maturing September 1, 2011, and thereafter (the "refunded bonds"). The refunding plan was undertaken in order to achieve interest cost savings.

According to the terms of this refunding plan, the refunded bonds will be called on their earliest optional redemption date and redeemed at such time, all in accordance with the resolution authorizing their issuance. The refunded bonds represent the entire callable portion of the District's General Obligation Bonds, Series 2001-A. All refunded bonds will be called at a price equal to 100% of the par value thereof, without premium.

The District will continue to levy taxes to pay the interest and principal on the Series 2001-A issue for all bonds due through 2011.

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
Notes to Financial Statements  
June 30, 2011

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**NOTE 7 - LONG-TERM DEBT (continued)**

Upon the payment in full of the interest on the bonds to and including September 1, 2011 and the principal of the refunded bonds, all remaining money and escrowed securities in the Escrow Fund together with any interest thereon, shall be transferred to the District to be applied in accordance with the law.

**Refunded Bonds**

<u>Series</u>	<u>Amount Outstanding Prior to Refunding</u>	<u>Amount to be Refunded</u>	<u>Maturity Dates to be Escrowed</u>	<u>Call Date</u>	<u>Call Price</u>
2001-A	\$11,400,000	\$7,735,000	9/1/12-9/1/21	9/1/2011	100

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**

Notes to Financial Statements

June 30, 2011

**NOTE 7 - LONG-TERM DEBT (continued)**

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/Payments	Net Change	Balance End of Year	Interest Paid
<b>General Obligation Bonds</b>										
Series 2001	4.0% to 6.1%	04/15/01	\$ 12,058,106	09/01/21	\$ 1,175,000	-	(575,000)		600,000	38,319
Series 2005-A	3.0% to 4.3%	04/15/05	7,260,000	09/01/21	7,185,000	-	-		7,185,000	286,735
<b>Lease Obligation</b>										
Energy Conservation Lease	4.51%	07/18/08	1,196,250	07/17/23	1,144,794	-	(59,834)		1,084,960	51,630
<b>Total Contractual Indebtedness</b>					9,504,794	-	(634,834)		8,869,960	376,684
<b>Compensated Absences</b>					51,800			(2,000)	49,800	
<b>Total Long-Term Debt</b>					\$ <u>9,556,594</u>	-	(634,834)	(2,000)	8,919,760	376,684

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

	YEAR							Total
	2012	2013	2014	2015	2016	2017-2021	2022-2024	
<b>Principal</b>								
General Obligation Bonds	\$ 600,000	605,000	625,000	640,000	675,000	3,790,000	850,000	7,785,000
Lease Obligation Payable	62,532	65,352	68,300	71,380	74,599	426,603	316,194	1,084,960
<b>Total Principal</b>	<u>662,532</u>	<u>670,352</u>	<u>693,300</u>	<u>711,380</u>	<u>749,599</u>	<u>4,216,603</u>	<u>1,166,194</u>	<u>8,869,960</u>
<b>Interest</b>								
General Obligation Bonds	299,785	275,845	253,393	229,830	204,836	590,678	18,275	1,872,642
Lease Obligation Payable	48,932	46,112	43,164	40,084	36,865	130,717	29,430	375,304
<b>Total Interest</b>	<u>348,717</u>	<u>321,957</u>	<u>296,557</u>	<u>269,914</u>	<u>241,701</u>	<u>721,395</u>	<u>47,705</u>	<u>2,247,946</u>
<b>Total Principal and Interest</b>	\$ <u>1,011,249</u>	<u>992,309</u>	<u>989,857</u>	<u>981,294</u>	<u>991,300</u>	<u>4,937,998</u>	<u>1,213,899</u>	<u>11,117,906</u>

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**

Notes to Financial Statements

June 30, 2011

**NOTE 9 - 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.

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**

**General Fund**

Statutory Revenues and Expenditures - Statutory and Budget

For the Year Ended June 30, 2011

	<u>Statutory Transactions</u>	<u>Budget</u>	Variance Over (Under)
<b>Statutory Revenues</b>			
Taxes and Shared Revenues			
Current Taxes	\$ 663,972	635,165	28,807
Delinquent Taxes	29,311	6,445	
Intergovernmental Revenues			
Mineral Severance Tax	27,397	-	27,397
Equalization Aid	3,217,245	3,523,502	(306,257)
Special Education Fund	554,404	569,557	(15,153)
Federal Aid	1,870	-	1,870
Federal Aid - ARRA	79,731	79,731	-
Federal Aid - Education Jobs Fund	139,610	-	139,610
State Aid	2,190	-	2,190
Other Local Sources			
Miscellaneous Revenue	60,287	-	60,287
<b>Total Statutory Revenues</b>	<u>4,776,017</u>	<u>4,814,400</u>	<u>(61,249)</u>
<b>Expenditures</b>			
Instruction	1,020,302	1,133,087	(112,785)
Student Support Services	126,634	128,678	(2,044)
Instructional Support Services	222,908	229,031	(6,123)
General Administration	247,481	262,719	(15,238)
School Administration	414,439	366,898	47,541
Operations and Maintenance	780,108	782,724	(2,616)
Vehicle Operating Services	153,775	196,775	(43,000)
Transfers Out	1,798,691	1,714,488	84,203
Adjustment to Comply with Legal Max	-	(114,409)	114,409
Legal General Fund Budget	4,764,338	4,699,991	64,347
(a) Adjustment for Qualifying Budget Credits	-	64,347	(64,347)
<b>Total Expenditures and Legal     General Fund Budget</b>	<u>4,764,338</u>	<u>4,764,338</u>	<u>-</u>
<b>Statutory Revenues Over (Under) Expenditures</b>	11,679		
<b>Modified Unencumbered Cash - Beginning</b>	<u>97</u>		
<b>Modified Unencumbered Cash - Ending</b>	\$ <u>11,776</u>		
<b>(a) Adjustment for Qualifying Budget Credits</b>			
Federal Aid, State Aid and Miscellaneous Revenue Over Amount Budgeted		\$ <u>64,347</u>	

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
Notes to Financial Statements  
June 30, 2011

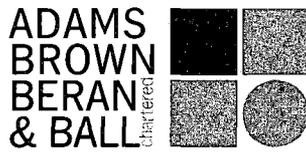
NOTE 9 - COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d) (continued)

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
Supplemental General Fund  
Statutory Revenues and Expenditures - Statutory and Budget  
For the Year Ended June 30, 2011

	<u>Statutory Transactions</u>	<u>Budget</u>	Variance Over (Under)
<b>Statutory Revenues</b>			
Taxes and Shared Revenues			
Current Taxes	\$ 813,552	766,433	47,119
Delinquent Taxes	29,669	7,152	
Intergovernmental Revenues			
Equalization Aid	<u>513,835</u>	<u>515,515</u>	(1,680)
<b>Total Statutory Revenues</b>	<b>1,357,056</b>	<b><u>1,289,100</u></b>	<b><u>45,439</u></b>
<b>Expenditures</b>			
Instruction	<u>1,325,000</u>	<u>1,325,000</u>	-
<b>Statutory Revenues Over (Under) Expenditures</b>	<b>32,056</b>		
<b>Modified Unencumbered Cash - Beginning</b>	<u>35,900</u>		
<b>Modified Unencumbered Cash - Ending</b>	<b>\$ <u>67,956</u></b>		

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**

Supplementary Information



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Certified  
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Accountants

**INDEPENDENT AUDITORS' 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. 431 Hoisington, Kansas**  
Hoisington, Kansas

We have audited the financial statements of **Unified School District No. 431 Hoisington, Kansas** as of and for the year ended June 30, 2011, and have issued our report thereon dated October 03, 2011. The report on the audited financial statements was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America and did not include the Unified School District No. 431, Hoisington Education Foundation, which is a component unit; however, it was unqualified as presented 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. Except as discussed in the preceding sentence, 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 **Unified School District No. 431 Hoisington, Kansas'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Unified School District No. 431 Hoisington, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Unified School District No. 431 Hoisington, Kansas'** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

*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 a 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (See 2011-A)

**Unified School District No. 431 Hoisington, Kansas**

Page 2

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (See 2011-B)

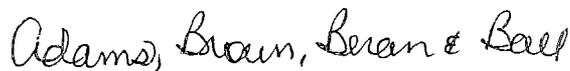
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **Unified School District No. 431 Hoisington, Kansas'** 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*.

We noted certain matters that we reported to management of **Unified School District No. 431 Hoisington, Kansas**, in a separate letter dated October 03, 2011.

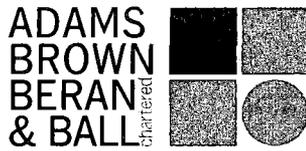
**Unified School District No. 431 Hoisington, Kansas'** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **Unified School District No. 431 Hoisington, Kansas'** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass through entities, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties.



**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

October 03, 2011



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**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**

To the Board of Education  
**Unified School District No. 431 Hoisington, Kansas**  
Hoisington, Kansas

**Compliance**

We have audited **Unified School District No. 431 Hoisington, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **Unified School District No. 431 Hoisington, Kansas'** major federal programs for the year ended June 30, 2011. **Unified School District No. 431 Hoisington, Kansas'** major federal programs are identified in the summary of auditor's 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 **Unified School District No. 431 Hoisington, Kansas'** management. Our responsibility is to express an opinion on **Unified School District No. 431 Hoisington, Kansas'** 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 **Unified School District No. 431 Hoisington, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **Unified School District No. 431 Hoisington, Kansas'** compliance with those requirements.

In our opinion, **Unified School District No. 431 Hoisington, Kansas** complied, in all material respects, with the compliance 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**

Management of **Unified School District No. 431 Hoisington, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **Unified School District No. 431 Hoisington, Kansas'** internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion 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 **Unified School District No. 431 Hoisington, Kansas'** internal control over compliance.

**Unified School District No. 431 Hoisington, Kansas**

Page 2

*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.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through entities, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties.

*Adams, Brown, Beran & Ball*

**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

October 03, 2011

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2011

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness identified?  X  Yes   No
- Significant deficiency identified?  X  Yes   None reported
- Noncompliance material to financial statements noted?   Yes  X  No

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness identified?   Yes  X  No
- Significant deficiencies identified?   Yes  X  None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?   Yes  X  No

Identification of major programs:

CFDA Number	Name of Federal Program
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type \$ 300,000

Auditee qualified as low-risk auditee?   Yes  X  No

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**A. Material Weakness in Internal Control**

**2011-A**

Criteria or specific requirement

Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of the problems or irregularities within a timely manner.

Cause District

The District is unable to hire additional personnel due to its size.

Recommendation

Procedures should be established and implemented where the District implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The District is aware that employees have incompatible duties; however, due to the size of the District, it would not be feasible to hire additional personnel.

**B. Significant Deficiency in Internal Control**

**2011-B**

Criteria or specific requirement

District personnel responsible for the accounting and reporting function should have the necessary skills and knowledge to prepare financial statements and related footnotes in conformity with the cash basis and budget laws of the State of Kansas.

Condition

District personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to prepare the District's financial statements.

Effect

Financial transactions, financial statements, and footnotes may not properly reflect financial information in accordance with the cash basis and budget laws of the State of Kansas.

Cause

Due to the limited size of the District, it is not practical to hire fully qualified staff to the extent that they possess all of the skills required in order to apply statutory basis of accounting including relevant note disclosures.

Recommendation

Continual training of accounting personnel should be implemented to ensure financial transactions and financial statements are being presented as accurately as possible.

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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Views of responsible officials and planned corrective actions

The District is aware that personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply statutory basis of accounting. However, due to the size and financial resources of the District, it would not be feasible to obtain the necessary training.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2011

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No material findings or questioned costs for the year ended December 31, 2010 are required to be disclosed under OMB Circular A-133.

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass Through Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Passed Through Kansas State Department of Education			
<b>Child Nutrition Cluster</b>			
School Breakfast Program	10.553	3529-3490 3490 9904	\$ 34,601
National School Lunch Program	10.555	3530-3500 3500 9902/12	145,304
Summer Food Service Program for Children	10.559	3230-3020 3020 9923/25/88	<u>16,834</u>
<b>Total Child Nutrition Cluster</b>			<u>196,739</u>
<b>Federal School Food Service</b>			
State Administrative Expenses for Child Nutrition	10.560	3230-3020 R201	<u>50</u>
<b>Team Nutrition</b>			
Team Nutrition Grant	10.574	3230-3020 R214/44	<u>680</u>
<b>Fresh Fruit and Vegetables</b>			
Fresh Fruit and Vegetables Grant	10.582	3230-3020 3020 9926	<u>4,459</u>
<b>U.S. Department of Education</b>			
Passed Through Kansas State Board of Education			
<b>State Fiscal Stabilization Fund Cluster</b>			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	3790-3790 3790	<u>79,731</u>
<b>Education Jobs</b>			
Education Jobs Funds	84.410	3551-3551 3551	<u>139,610</u>
<b>Carl Perkins Grant</b>			
Career and Technical Education - Basic Grants to States	84.048	None	<u>3,090</u>
<b>Character Education</b>			
Fund for the Improvement of Education	84.215	3592-3070 S070	<u>1,820</u>
<b>Education Technology Cluster</b>			
Education Technology State Grants	84.318	3233-3040 3040 9962	526
Education Technology State Grant Recovery Act	84.386	3233-3044 3044 9964	<u>2,213</u>
<b>Total Education Technology Cluster</b>			<u>2,739</u>
<b>Improving Teacher Quality</b>			
Improving Teacher Quality State Grants	84.367	3526-3860 3860	<u>26,850</u>
<b>Title I Grants to Local Educational Agency Cluster</b>			
Title I Grants to Local Educational Agency Grants	84.010	3532-3520 3520	181,519
Title I Local Educational Agency Grant Recovery Act	84.389	3532-3525 3525	<u>8,502</u>
<b>Total Local Educational Agency Cluster</b>			<u>190,021</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 645,789</u>

**UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Unified School District No. 431 Hoisington, Kansas**, and is presented on the 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 generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.