

UNIFIED SCHOOL DISTRICT NO. 440

HALSTEAD, KANSAS

Special Financial Statements

June 30, 2011

Unified School District No. 440

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Unified School District No. 440  
Halstead, Kansas 67056

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 440, Halstead, 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 the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2010 financial statements and in our report dated October 29, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *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 opinion.

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

In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting 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 District as of June 30, 2011, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly in all material respects the cash and unencumbered cash balances of the Primary Government of the District as of June 30, 2011, and its cash receipts and expenditures for the year then ended taken as a whole on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2011, 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 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 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the District taken 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. Such information 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, in relation to the financial statements taken as a whole.

*Knudsen, Menwe & Company LLC*

Certified Public Accountants

October 24, 2011

## Unified School District No. 440

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

Year ended June 30, 2011

<u>FUNDS</u>	Unencumbered Cash Balance 6/30/10	Prior Year Cancelled Encumbrances	Receipts	Expenditures and Transfers	Unencumbered Cash Balance 6/30/11	Encumbrances	Cash Balance 6/30/11
<b>General</b>							
General	\$ (575,728)	-	5,621,321	5,522,834	(477,241)	40,764	(436,477)
Supplemental general	(60,044)	-	1,443,334	1,400,000	(16,710)	63,939	47,229
<b>Special revenue</b>							
At risk (K-12)	39,897	-	283,047	322,944	-	330	330
At risk (4 year old)	-	-	49,408	49,408	-	82	82
Capital outlay	547,972	-	495,829	285,856	757,945	3,510	761,455
Driver training	42,456	-	11,029	10,977	42,508	6,491	48,999
Food service	93,684	-	348,464	341,794	100,354	224	100,578
Professional development	50,449	-	20,191	23,108	47,532	115	47,647
Parent education	17,833	-	8,000	8,812	17,021	-	17,021
Summer school	6,215	-	-	-	6,215	-	6,215
Special education	177,815	-	1,106,404	1,034,219	250,000	15,145	265,145
Textbook and student material revolving	47,239	-	49,998	71,074	26,163	2,165	28,328
Student health initiative	993	-	3,305	2,420	1,878	-	1,878
Vocational education	-	-	197,699	197,699	-	-	-
Bilingual education	-	-	-	-	-	-	-
KPERS special retirement contribution	-	-	264,532	264,532	-	-	-
Contingency reserve	551,469	-	-	-	551,469	-	551,469
Federal government programs	-	-	153,582	153,582	-	5,641	5,641
Gate receipts	23,903	-	125,096	123,305	25,694	-	25,694
School projects	11,135	-	42,412	38,231	15,316	-	15,316
<b>Capital project</b>							
2004 Improvement fund	-	-	-	-	-	-	-
<b>Debt service</b>							
Bond and interest	708,791	-	729,337	654,463	783,665	-	783,665
<b>Fiduciary</b>							
Student organizations	-	-	68,532	68,532	-	46,194	46,194
Gift funds	23,337	-	10,398	8,425	25,310	-	25,310
	<u>\$ 1,707,416</u>	<u>-</u>	<u>11,031,918</u>	<u>10,582,215</u>	<u>2,157,119</u>	<u>184,600</u>	<u>2,341,719</u>

See notes to financial statements

## Unified School District No. 440

SUMMARY STATEMENT OF EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011

	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>General</b>						
General	\$ 5,689,016	(166,192)	-	5,522,824	5,522,834	10
Supplemental general	1,400,000	-	-	1,400,000	1,400,000	-
<b>Special revenue</b>						
At risk (K-12)	539,898	-	-	539,898	322,944	(216,954)
At risk (4 year old)	50,000	-	-	50,000	49,408	(592)
Capital outlay	586,000	-	-	586,000	285,856	(300,144)
Driver training	31,945	-	-	31,945	10,977	(20,968)
Food service	421,595	-	-	421,595	341,794	(79,801)
Professional development	51,800	-	-	51,800	23,108	(28,692)
Parent education	26,933	-	-	26,933	8,812	(18,121)
Summer school	6,215	-	-	6,215	-	(6,215)
Special education	976,598	-	-	976,598	1,034,219	57,621
Vocational education	200,575	-	-	200,575	197,699	(2,876)
Bilingual education	6,210	-	-	6,210	-	(6,210)
KPERS special retirement contribution	350,023	-	-	350,023	264,532	(85,491)
<b>Debt service</b>						
Bond and interest	654,563	-	-	654,563	654,463	(100)
	<u>\$ 10,991,371</u>	<u>(166,192)</u>	<u>-</u>	<u>10,825,179</u>	10,116,646	<u>(708,533)</u>
Add expenditures of unbudgeted funds						
Special revenue					388,612	
Fiduciary					<u>76,957</u>	
Total expenditures, Statement 1					<u>\$ 10,582,215</u>	

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	2011		Variance- Over (Under)
		<u>Actual</u>	<u>Budget</u>	
<b>GENERAL FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 14,998	25,560	28,881	(3,321)
Current tax	535,268	554,278	540,602	13,676
Delinquent tax	11,614	11,339	16,574	(5,235)
Mineral production tax	465	792	-	792
ARRA stabilization aid	267,115	100,429	100,429	-
Education jobs fund	-	175,852	-	175,852
General state aid	4,218,037	4,117,389	4,310,778	(193,389)
Special education state aid	<u>587,011</u>	<u>635,682</u>	<u>691,752</u>	<u>(56,070)</u>
	<u>5,634,508</u>	<u>5,621,321</u>	<u>5,689,016</u>	<u>(67,695)</u>
Expenditures				
Instruction	2,517,457	2,522,157	2,600,054	(77,897)
Student support services	179,138	186,600	182,481	4,119
Instructional support services	238,092	281,080	254,594	26,486
General administration	178,070	216,796	235,789	(18,993)
School administration	500,908	517,251	521,760	(4,509)
Operations and maintenance	650,155	587,571	786,569	(198,998)
Student transportation services	238,124	250,367	250,843	(476)
Other support services	72,220	70,827	81,926	(11,099)
Operating transfers	<u>1,015,756</u>	<u>890,185</u>	<u>775,000</u>	<u>115,185</u>
	5,589,920	5,522,834	5,689,016	(166,182)
Budget adjustments:				
Legal maximum budget	-	-	(166,192)	166,192
	<u>5,589,920</u>	<u>5,522,834</u>	<u>5,522,824</u>	<u>10</u>
Receipts over (under) expenditures	44,588	98,487		
Unencumbered cash, beginning	<u>(620,316)</u>	<u>(575,728)</u>		
Unencumbered cash, ending	<u>\$ (575,728)</u>	<u>(477,241)</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	2011		Variance - Over <u>(Under)</u>
		<u>Actual</u>	<u>Budget</u>	
<b>SUPPLEMENTAL GENERAL FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 11,474	25,059	26,629	(1,570)
Current tax	508,490	519,838	480,004	39,834
Delinquent tax	9,175	9,176	15,706	(6,530)
Vehicle tax	65,113	70,086	73,072	(2,986)
ARRA stabilization aid	176,650	-	-	-
State aid	498,099	819,175	727,591	91,584
	<u>1,269,001</u>	<u>1,443,334</u>	<u>1,323,002</u>	<u>120,332</u>
Expenditures				
Instruction	182,628	104,046	200,000	(95,954)
Student support services	1,242	21	-	21
Instructional support staff	26,738	17,608	24,500	(6,892)
General administration	17,050	3,783	250	3,533
School administration	55,861	21,380	20,000	1,380
Operations and maintenance	236,131	236,105	200,940	35,165
Student transportation services	23,983	-	106,000	(106,000)
Other supplemental services	46,008	25,280	45,000	(19,720)
Operating transfers	705,359	991,777	803,310	188,467
	<u>1,295,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>-</u>
Receipts over (under) expenditures	(25,999)	43,334		
Unencumbered cash, beginning	<u>(34,045)</u>	<u>(60,044)</u>		
Unencumbered cash, ending	<u>\$ (60,044)</u>	<u>(16,710)</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011  
(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	2011		Variance - Over (Under)
		<u>Actual</u>	<u>Budget</u>	
<b>AT RISK (K-12) FUND</b>				
Receipts				
Transfers from other funds	\$ 491,834	283,047	500,000	(216,953)
Expenditures				
Instruction	436,743	318,374	472,800	(154,426)
Student support services	15,194	4,570	67,098	(62,528)
	<u>451,937</u>	<u>322,944</u>	<u>539,898</u>	<u>(216,954)</u>
Receipts over (under) expenditures	39,897	(39,897)		
Unencumbered cash, beginning	-	39,897		
Unencumbered cash, ending	<u>\$ 39,897</u>	<u>-</u>		
<b>AT RISK (4YEAR OLD) FUND</b>				
Receipts				
Transfers from other funds	\$ 42,144	49,408	50,000	(592)
Expenditures				
Salaries and benefits	41,633	49,307	48,156	1,151
Other	511	101	1,844	(1,743)
	<u>42,144</u>	<u>49,408</u>	<u>50,000</u>	<u>(592)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	2011		Variance - Over <u>(Under)</u>
		<u>Actual</u>	<u>Budget</u>	
<b>CAPITAL OUTLAY FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 3,091	-	-	-
Current tax	-	24,916	24,395	521
Delinquent tax	2,865	1,371	-	1,371
Vehicle tax	20,458	13,183	13,944	(761)
Interest	9,056	6,044	-	6,044
Transfers from other funds	190,000	254,503	-	254,503
Grants and other	<u>268,672</u>	<u>195,812</u>	<u>-</u>	<u>195,812</u>
	<u>494,142</u>	<u>495,829</u>	<u>38,339</u>	<u>457,490</u>
Expenditures				
Equipment and furniture	110,506	223,175	386,000	(162,825)
Construction and remodeling	-	-	15,000	(15,000)
Site improvement	<u>127,940</u>	<u>62,681</u>	<u>185,000</u>	<u>(122,319)</u>
	<u>238,446</u>	<u>285,856</u>	<u>586,000</u>	<u>(300,144)</u>
Receipts over (under) expenditures	255,696	209,973		
Unencumbered cash, beginning	<u>292,276</u>	<u>547,972</u>		
Unencumbered cash, ending	<u>\$ 547,972</u>	<u>757,945</u>		
<b>DRIVER TRAINING FUND</b>				
Receipts				
State aid	\$ 1,400	4,440	2,450	1,990
Other	9,601	6,589	5,250	1,339
Transfers from other funds	<u>9,245</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>20,246</u>	<u>11,029</u>	<u>7,700</u>	<u>3,329</u>
Expenditures				
Salaries and benefits	8,335	4,082	8,345	(4,263)
Other	782	404	1,600	(1,196)
Equipment and furnishings	<u>4,384</u>	<u>6,491</u>	<u>22,000</u>	<u>(15,509)</u>
	<u>13,501</u>	<u>10,977</u>	<u>31,945</u>	<u>(20,968)</u>
Receipts over (under) expenditures	6,745	52		
Unencumbered cash, beginning	<u>35,711</u>	<u>42,456</u>		
Unencumbered cash, ending	<u>\$ 42,456</u>	<u>42,508</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011  
(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	2011		Variance - Over (Under)
		<u>Actual</u>	<u>Budget</u>	
<b>FOOD SERVICE FUND</b>				
Receipts				
Lunch and breakfast sales	\$ 146,231	130,246	138,312	(8,066)
Federal aid	166,996	187,308	165,394	21,914
State aid	3,967	3,942	3,204	738
Other	5,551	11,968	10,000	1,968
Transfers from other funds	11,000	15,000	11,000	4,000
	<u>333,745</u>	<u>348,464</u>	<u>327,910</u>	<u>20,554</u>
Expenditures				
Salaries and benefits	147,586	142,875	151,038	(8,163)
Food and supplies	177,399	189,415	263,557	(74,142)
Equipment	6,006	9,504	7,000	2,504
	<u>330,991</u>	<u>341,794</u>	<u>421,595</u>	<u>(79,801)</u>
Receipts over (under) expenditures	2,754	6,670		
Unencumbered cash, beginning	90,930	93,684		
Unencumbered cash, ending	<u>\$ 93,684</u>	<u>100,354</u>		
<b>PROFESSIONAL DEVELOPMENT FUND</b>				
Receipts				
Other	\$ 199	191	-	191
Transfers from other funds	16,000	20,000	15,000	5,000
	<u>16,199</u>	<u>20,191</u>	<u>15,000</u>	<u>5,191</u>
Expenditures				
Salaries and benefits	11,842	19,026	33,900	(14,874)
Purchased services and other	4,073	4,082	12,900	(8,818)
Supplies	-	-	5,000	(5,000)
	<u>15,915</u>	<u>23,108</u>	<u>51,800</u>	<u>(28,692)</u>
Receipts over (under) expenditures	284	(2,917)		
Unencumbered cash, beginning	50,165	50,449		
Unencumbered cash, ending	<u>\$ 50,449</u>	<u>47,532</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	2011		Variance - Over (Under)
		<u>Actual</u>	<u>Budget</u>	
<b>PARENT EDUCATION FUND</b>				
Receipts				
Transfers from other funds	\$ 8,812	8,000	9,100	(1,100)
Expenditures				
Supplies	-	-	6,500	(6,500)
Equipment and furniture	-	-	2,433	(2,433)
Purchased services and other	8,812	8,812	18,000	(9,188)
	<u>8,812</u>	<u>8,812</u>	<u>26,933</u>	<u>(18,121)</u>
Receipts over (under) expenditures	-	(812)		
Unencumbered cash, beginning	<u>17,833</u>	<u>17,833</u>		
Unencumbered cash, ending	<u>\$ 17,833</u>	<u>17,021</u>		
<b>SUMMER SCHOOL FUND</b>				
Receipts				
Other	\$ -	-	-	-
Expenditures				
Salaries and benefits	-	-	6,215	(6,215)
Other	36	-	-	-
	<u>36</u>	<u>-</u>	<u>6,215</u>	<u>(6,215)</u>
Receipts over (under) expenditures	(36)	-		
Unencumbered cash, beginning	<u>6,251</u>	<u>6,215</u>		
Unencumbered cash, ending	<u>\$ 6,215</u>	<u>6,215</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	2011		Variance - Over (Under)
		<u>Actual</u>	<u>Budget</u>	
<b>SPECIAL EDUCATION FUND</b>				
Receipts				
Other	\$ -	48,346	-	48,346
Transfers from other funds	<u>816,648</u>	<u>1,058,058</u>	<u>800,000</u>	<u>258,058</u>
	<u>816,648</u>	<u>1,106,404</u>	<u>800,000</u>	<u>306,404</u>
Expenditures				
Salaries and benefits	98,323	113,213	129,600	(16,387)
Purchased services and other	1,083	3,842	2,000	1,842
Supplies	-	-	15,000	(15,000)
Transportation	7,980	15,420	12,000	3,420
Equipment and furniture	-	15,145	-	15,145
Tuition	<u>744,937</u>	<u>886,599</u>	<u>817,998</u>	<u>68,601</u>
	<u>852,323</u>	<u>1,034,219</u>	<u>976,598</u>	<u>57,621</u>
Receipts over (under) expenditures	(35,675)	72,185		
Unencumbered cash, beginning	<u>213,490</u>	<u>177,815</u>		
Unencumbered cash, ending	<u>\$ 177,815</u>	<u>250,000</u>		
<b>TEXTBOOK AND STUDENT MATERIAL REVOLVING FUND</b>				
Receipts				
Fees	<u>\$ 49,027</u>	<u>49,998</u>		
Expenditures				
Textbooks	39,973	48,701		
Other	-	22,373		
Materials and supplies	<u>1,054</u>	<u>-</u>		
	<u>41,027</u>	<u>71,074</u>		
Receipts over (under) expenditures	8,000	(21,076)		
Unencumbered cash, beginning	<u>39,239</u>	<u>47,239</u>		
Unencumbered cash, ending	<u>\$ 47,239</u>	<u>26,163</u>		
			NOT APPLICABLE	

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011  
(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	2011		Variance - Over (Under)
		<u>Actual</u>	<u>Budget</u>	
<b>STUDENT HEALTH INITIATIVE FUND</b>				
Receipts				
Grant	\$ 3,570	3,305		
Expenditures				
Other	<u>3,502</u>	<u>2,420</u>	NOT APPLICABLE	
Receipts over (under) expenditures	68	885		
Unencumbered cash, beginning	<u>925</u>	<u>993</u>		
Unencumbered cash, ending	<u>\$ 993</u>	<u>1,878</u>		
<b>VOCATIONAL EDUCATION FUND</b>				
Receipts				
Transfers from other funds	\$ 133,827	193,946	190,000	3,946
Other	<u>4,091</u>	<u>3,753</u>	<u>10,575</u>	<u>(6,822)</u>
	<u>137,918</u>	<u>197,699</u>	<u>200,575</u>	<u>(2,876)</u>
Expenditures				
Salaries and benefits	118,643	173,257	128,075	45,182
Tuition and other	<u>19,275</u>	<u>24,442</u>	<u>72,500</u>	<u>(48,058)</u>
	<u>137,918</u>	<u>197,699</u>	<u>200,575</u>	<u>(2,876)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>-</u>	<u>-</u>		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		
<b>BILINGUAL EDUCATION</b>				
Receipts				
Transfers from other funds	\$ 1,605	-	3,210	(3,210)
Other	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>(3,000)</u>
	1,605	-	6,210	(6,210)
Expenditures				
Salaries and benefits	<u>1,605</u>	<u>-</u>	<u>6,210</u>	<u>(6,210)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>-</u>	<u>-</u>		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

See notes to financial statements

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011  
(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	2011		Variance - Over (Under)
		<u>Actual</u>	<u>Budget</u>	
<b>KPERS SPECIAL RETIREMENT CONTRIBUTION FUND</b>				
Receipts				
State KPERS aid	\$ 296,630	264,532	<u>350,023</u>	<u>(85,491)</u>
Expenditures				
Employee benefits	<u>296,630</u>	<u>264,532</u>	<u>350,023</u>	<u>(85,491)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>-</u>	<u>-</u>		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		
<b>CONTINGENCY RESERVE FUND</b>				
Receipts				
Transfers from other funds	\$ -	-		
Expenditures				
Salaries and benefits	<u>-</u>	<u>-</u>	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>551,469</u>	<u>551,469</u>		
Unencumbered cash, ending	<u>\$ 551,469</u>	<u>551,469</u>		

## Unified School District No. 440

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

Year ended June 30, 2011  
(With comparable actual totals for the prior year ended June 30, 2010)

	2011				2010 Total
	Title II-A Class Size Reduction	Title I ESEA	Title II Math/ Science	Total	
<b>FEDERAL GOVERNMENT PROGRAMS</b>					
Receipts					
Federal aid	\$ 16,201	136,297	1,084	153,582	149,749
Expenditures					
Salaries and benefits	5,184	125,228	-	130,412	130,699
Equipment and supplies	-	11,036	1,084	12,120	4,174
Other expense	11,017	33	-	11,050	14,876
	16,201	136,297	1,084	153,582	149,749
Receipts over (under) expenditures	-	-	-	-	-
Unencumbered cash, beginning	-	-	-	-	-
Unencumbered cash, ending	\$ -	-	-	-	-

\*Legally adopted budget not applicable

## Unified School District No. 440

STATEMENT OF CASH RECEIPTS AND EXPENDITURES –  
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 <u>Actual</u>	2011		Variance - Over (Under)
		<u>Actual</u>	<u>Budget</u>	
<b>2004 IMPROVEMENT FUND</b>				
Receipts	\$ -	-		
Expenditures				
Other	<u>5,127</u>	-		NOT APPLICABLE
Receipts over (under) expenditures	(5,127)	-		
Unencumbered cash, beginning	5,127	-		
Cancelled prior year encumbrances	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		
<b>BOND AND INTEREST FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 11,915	19,739	21,387	(1,648)
Current tax	401,655	382,770	374,643	8,127
Delinquent tax	9,475	7,989	12,379	(4,390)
Vehicle tax	67,631	65,680	68,638	(2,958)
State aid	<u>264,503</u>	<u>253,159</u>	<u>255,241</u>	<u>(2,082)</u>
	<u>755,179</u>	<u>729,337</u>	<u>732,288</u>	<u>(2,951)</u>
Expenditures				
Principal	170,000	190,000	190,000	-
Interest	477,963	464,463	464,463	-
Commission	-	-	100	(100)
	<u>647,963</u>	<u>654,463</u>	<u>654,563</u>	<u>(100)</u>
Receipts over (under) expenditures	107,216	74,874		
Unencumbered cash, beginning	<u>601,575</u>	<u>708,791</u>		
Unencumbered cash, ending	<u>\$ 708,791</u>	<u>783,665</u>		

See notes to financial statements

## Unified School District No. 440

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

Year ended June 30, 2011

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
<b><u>Activity Gate Receipts</u></b>				
High School				
Athletics	\$ 17,977	95,747	93,378	20,346
Concessions	2,559	14,997	15,782	1,774
Musicals	608	955	1,552	11
Grade Schools				
Athletics	<u>2,759</u>	<u>13,397</u>	<u>12,593</u>	<u>3,563</u>
Totals to Statement 1	<u>\$ 23,903</u>	<u>125,096</u>	<u>123,305</u>	<u>25,694</u>
<b><u>School Projects</u></b>				
High School	\$ 2,953	10,768	9,446	4,275
Grade Schools	<u>8,182</u>	<u>31,644</u>	<u>28,785</u>	<u>11,041</u>
Totals to Statement 1	<u>\$ 11,135</u>	<u>42,412</u>	<u>38,231</u>	<u>15,316</u>
<b><u>Student Organizations</u></b>				
High School				
Class funds	\$ 4,875	10,592	11,084	4,383
Other	30,347	43,339	45,296	28,390
Grade Schools				
Class funds	6,270	6,995	5,685	7,580
Other	<u>7,476</u>	<u>7,606</u>	<u>9,241</u>	<u>5,841</u>
Total cash basis activity	48,968	68,532	71,306	46,194
Adjustments for encumbrances and payables	<u>(48,968)</u>	<u>-</u>	<u>(2,774)</u>	<u>(46,194)</u>
Totals to Statement 1	<u>\$ -</u>	<u>68,532</u>	<u>68,532</u>	<u>-</u>

See notes to financial statements

## Unified School District No. 440

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

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2011					<u>Total</u>	<u>2010 Total</u>
	<u>Wedel Memorial Fund</u>	<u>Stan Robuck Memorial Fund</u>	<u>Carolyn Taylor Scholarship Fund</u>	<u>Harold England Memorial Fund</u>	<u>Generation Youth Fund</u>		
<b>FIDUCIARY - GIFT FUNDS</b>							
Receipts							
Gifts	\$ 25	-	400	945	9,000	10,370	325
Interest	11	6	11	-	-	28	39
	36	6	411	945	9,000	10,398	364
Expenditures	500	1,000	397	-	6,528	8,425	1,680
Receipts over (under) expenditures	(464)	(994)	14	945	2,472	1,973	(1,316)
Unencumbered cash, beginning	9,412	5,891	8,034	-	-	23,337	24,653
Unencumbered cash, ending	\$ 8,948	4,897	8,048	945	2,472	25,310	23,337

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NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 440, Halstead, Kansas, is a municipal corporation governed by an elected seven-member board. These financial statements present only the primary government of the District.

Fund Description

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

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

Governmental Funds

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

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

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

Fiduciary Funds

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

Basis of Accounting

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Departure from Generally Accepted Accounting Principles.

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

Activity Funds

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

Use of Estimates

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

2. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute) and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The District's 2011 budget was not amended.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. BUDGETARY INFORMATION (Continued)

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district and if this “legal max” budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. If this “legal max” budget is greater than the adopted budget, the District must amend the budget (see prior paragraph) to the “legal max” amount to have the additional budget authority. The “legal max” budget for the year ended June 30, 2011 was \$5,522,824.

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

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

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

- Textbook and student material revolving
- Student health initiative
- Contingency reserve
- Federal government programs
- School projects
- Gate receipts

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

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District’s funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no investment policy that would further limit interest rate risk.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2011, the District's investments included only bank time deposits with a fair value of \$600,000, which are not subject to investment rating.

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

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

At June 30, 2011, the carrying amount of the District's deposits was \$2,341,719. The bank balance totaled \$2,884,953. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$264,023 was covered by FDIC insurance, and the remaining \$2,620,930 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Composition of Cash Balance

The cash balance of the District at June 30, 2011, consisted of the following accounts with local financial institutions:

Board Funds	
Now account	\$ 1,627,622
Certificates of deposit	600,000
Wedel Memorial fund	8,948
Stan Robuck Memorial fund	4,897
Carolyn Taylor Scholarship fund	8,048
Debit Card checking	3,500
Petty cash checking	1,500
Total board funds	<u>2,254,515</u>
Activity funds	
Demand deposits	12,477
NOW accounts	67,461
Certificates of deposit	7,266
Total activity funds	<u>87,204</u>
	<u>\$ 2,341,719</u>

Unified School District No. 440

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. LONG-TERM DEBT

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

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 6-30-10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-11</u>	<u>Interest Paid</u>
<b>General Obligation Bonds:</b>									
School Improvement Series 2004	4.50 - 7.50%	6/1/2004	\$ 9,830,000	8/1/2029	<u>\$ 9,330,000</u>	<u>-</u>	<u>190,000</u>	<u>9,140,000</u>	<u>464,463</u>

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

<u>Period ending June 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2012	\$ 215,000	449,275	664,275
2013	235,000	432,400	667,400
2014	260,000	413,838	673,838
2015	285,000	393,757	678,757
2016	310,000	372,188	682,188
2017-2021	1,955,000	1,560,175	3,515,175
2022-2026	2,810,000	1,024,875	3,834,875
2027-2029	<u>3,070,000</u>	<u>28,823</u>	<u>3,098,823</u>
Total	<u>\$ 9,140,000</u>	<u>4,675,331</u>	<u>13,815,331</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

5. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et. seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4.0% to 6.0% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The contribution rate for the state for the period from July 1, 2010 through June 30, 2011 was 9.17%. Beginning July 1, 2011, the State contribution rate increased to 9.77% of covered payroll.

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010 and 2009 were \$253,834,044, \$248,468,186 and \$242,277,363 respectively, equal to the required contributions for each year.

6. COMPENSATED ABSENCES

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

Full-time classified and certified employees earn approximately 15 days of paid sick leave in one year of service which can be accumulated to a maximum of 70 days. Unused sick leave is not paid to employees upon termination. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

7. COMPLIANCE WITH KANSAS STATUTES

Budget Violation

The District was not in compliance with K.S.A. 79-2935, which limits fund expenditures to the appropriated budget, in the General and Special Education funds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

7. COMPLIANCE WITH KANSAS STATUTES (Continued)

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) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes.

STATUTORY REVENUES AND EXPENDITURES -  
STATUTORY AND BUDGET  
Year ended June 30, 2011

	<u>Statutory Transactions</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<b>GENERAL</b>			
Statutory revenues			
Tax in process	\$ 25,560	28,881	(3,321)
Current tax	554,278	540,602	13,676
Delinquent tax	11,339	16,574	(5,235)
Mineral production tax	792	-	792
Federal AARA stabilization aid	100,429	100,429	-
Federal education jobs fund	175,852	-	175,852
General state aid	4,018,902	4,310,778	(291,876)
Special education state aid	635,682	691,752	(56,070)
Total statutory revenue	<u>5,522,834</u>	<u>5,689,016</u>	<u>(166,182)</u>
Expenditures			
Instruction	2,522,157	2,600,054	(77,897)
Student support services	186,600	182,481	4,119
Instructional support services	281,080	254,594	26,486
General administration	216,796	235,789	(18,993)
School administration	517,251	521,760	(4,509)
Operations and maintenance	587,571	786,569	(198,998)
Student transportation services	250,367	250,843	(476)
Other support services	70,827	81,926	(11,099)
Operating transfers	890,185	775,000	115,185
Adjustment to comply with legal max	-	(166,192)	166,192
Legal general fund budget	5,522,834	5,522,824	10
Adjustment for qualifying budget credits	-	-	-
Total expenditures	<u>5,522,834</u>	<u>5,522,824</u>	<u>10</u>
Revenue over (under) expenditures	-		
Modified unencumbered cash, beginning	-		
Prior year cancelled encumbrances	-		
Modified unencumbered cash, ending	<u>\$ -</u>		

Unified School District No. 440

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

7. COMPLIANCE WITH KANSAS STATUTES (Continued)

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

STATUTORY REVENUES AND EXPENDITURES -  
STATUTORY AND BUDGET  
Year ended June 30, 2011

	<u>Statutory Transactions</u>	<u>Budget</u>	Variance Over (Under)
<b>SUPPLEMENTAL GENERAL</b>			
Statutory revenues			
Tax in process	\$ 25,059	26,629	(1,570)
Current tax	519,838	480,004	39,834
Delinquent tax	9,176	15,706	(6,530)
Vehicle tax	70,086	73,072	(2,986)
State aid	<u>725,219</u>	<u>727,591</u>	<u>(2,372)</u>
	<u>1,349,378</u>	<u>1,323,002</u>	<u>26,376</u>
Expenditures			
Instruction	104,046	200,000	(95,954)
Student support services	21	-	21
Instructional support staff	17,608	24,500	(6,892)
General administration	3,783	250	3,533
School administration	21,380	20,000	1,380
Operations and maintenance	236,105	200,940	35,165
Student transportation services	-	106,000	(106,000)
Other supplemental services	25,280	45,000	(19,720)
Operating transfers	<u>991,777</u>	<u>803,310</u>	<u>188,467</u>
	<u>1,400,000</u>	<u>1,400,000</u>	<u>-</u>
Revenue over (under) expenditures	(50,622)		
Modified unencumbered cash, beginning	<u>76,999</u>		
Modified unencumbered cash, ending	<u>\$ 26,377</u>		
<b>RECONCILIATION - STATE AID</b>		<u>General</u>	<u>Supplemental General</u>
General state aid - cash received		\$ 4,117,389	819,175
Less received July 2010 for year ended June 30, 2010		(575,728)	(137,043)
Add received July 2011 for year ended June 30, 2011		<u>477,241</u>	<u>43,087</u>
Statutory revenue - above		<u>\$ 4,018,902</u>	<u>725,219</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

8. INTERFUND TRANSACTIONS

Operating transfers during the year ended June 30, 2011, were as follows:

	Transfers to		Transfers from	
		<u>Total</u>	<u>General</u>	<u>Supplemental General</u>
At Risk (K-12)	\$	283,047	-	283,047
At Risk (4-yr. Old)		49,408	-	49,408
Capital Outlay		254,503	254,503	-
Food Service		15,000	-	15,000
Professional Development		20,000	-	20,000
Parent Education		8,000	-	8,000
Special Education		1,058,058	635,682	422,376
Vocational Education		193,946	-	193,946
	\$	<u>1,881,962</u>	<u>890,185</u>	<u>991,777</u>

9. RISK MANAGEMENT

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

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

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

10. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to June 30, 2011 to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through October 24, 2011 which is the date at which the financial statements were available to be issued.

SINGLE AUDIT SECTION

# Knudsen Monroe & Company LLC

## 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*

Board of Education  
Unified School District No. 440  
Halstead, Kansas 67056

We have audited the financial statements of Unified School District No. 440, Halstead, Kansas, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The auditor's report on the financial statements disclosed that, as described in Note 1, Unified School District No. 440 prepares its financial statements 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.

### 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 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.

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.

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*.

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 state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Knudsen, Menwe & Company LLC*

Certified Public Accountants

October 24, 2011

# Knudsen Monroe & Company LLC

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

Board of Education  
Unified School District No. 440  
Halstead, Kansas 67056

### Compliance

We have audited the Unified School District No. 440, Halstead, 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 its major federal programs for the year ended June 30, 2011. The District's 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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditor's report on the financial statements disclosed that, as described in Note 1, the District prepares its financial statements 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.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 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 the District's compliance with those requirements.

In our opinion, the District, 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 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 in order 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 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 a 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 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 state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Knudsen, Menwe & Company LLC*

Certified Public Accountants

October 24, 2011

Unified School District No. 440

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2011

<u>Federal Granting Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Grantor's Identifying Number</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>				
Passed through State Board of Education:				
School Breakfast Program	10.553		\$ 30,223	30,223
National School Lunch Program	10.555		<u>157,085</u>	<u>157,085</u>
Total Department of Agriculture			<u>187,308</u>	<u>187,308</u>
<b><u>U.S. Department of Education</u></b>				
Passed through State Board of Education:				
ARRA - State Fiscal Stabilization	84.394	S394A090017	100,429	100,429
ARRA - Education Jobs Grant	84.410A	S410A100017	175,852	175,852
ARRA - Title I Low Income	84.389		24,522	24,522
Title I, Low Income	84.010		111,775	111,775
ARRA - Title II Tech Lit	84.386		922	922
Title IIA, Improving Teacher Quality	84.367		16,201	16,201
Title IID, Education Technology	84.318		<u>162</u>	<u>162</u>
Total Department of Education			<u>429,863</u>	<u>429,863</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 617,171</u>	<u>\$ 617,171</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards of Unified School District No. 440, Halstead, Kansas is presented on the statutory basis of accounting as described in Note 1 to the financial statements. 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*.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report on the financial statements disclosed that, as described in Note 1, the District prepares its financial statements 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. An unqualified opinion was expressed on the financial statements under this comprehensive basis of accounting.
2. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
3. The auditor's report on compliance for the major federal award programs for the District expressed an unqualified opinion.
4. Audit findings relative to the major federal award program for the District are reported in Part C of the schedule.
5. The programs tested as a major program included:
  - Department of Education – State Fiscal Stabilization Fund (84.394)
  - Department of Education – Education Jobs Grant (84.410)
  - Department of Education – Title I Cluster (84.010 and 84.389)
6. The threshold for distinguishing Type A and B programs was \$300,000.
7. The District was not determined to be a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Unified School District No. 440

SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2011

None