

UNIFIED SCHOOL DISTRICT NO. 448

INMAN, KANSAS

Special Financial Statements

June 30, 2011

Unified School District No. 448

TABLE OF CONTENTS

June 30, 2011

|  | <u>Statement</u> | <u>Page</u> |
|--|------------------|-------------|
| Independent Auditor's Report   |                  | 1           |
| Summary Statement of Cash Receipts, Expenditures and Unencumbered Cash     | 1                | 2           |
| Summary Statement of Expenditures - Actual and Budget                      | 2                | 3           |
| Statement of Cash Receipts and Expenditures - Actual and Budget            |                  |             |
| General  | 3                | 4           |
| Supplemental General   | 3                | 5           |
| At Risk (4 Yr Old)   | 3                | 6           |
| At Risk (K-12)   | 3                | 6           |
| Bi-lingual Education   | 3                | 6           |
| Capital Outlay   | 3                | 7           |
| Driver Training  | 3                | 7           |
| Food Service   | 3                | 8           |
| Professional Development   | 3                | 8           |
| Special Education  | 3                | 9           |
| Vocational Education   | 3                | 9           |
| KPERS Special Retirement Contribution                                      | 3                | 10          |
| Contingency Reserve  | 3                | 10          |
| Recreation   | 3                | 10          |
| Federal Government Programs  | 3                | 11          |
| Bond and Interest  | 3                | 12          |
| Statement of Cash Receipts, Disbursements,<br>and Changes in Cash Balances |                  |             |
| Memorials and Gifts  | 4                | 13          |
| School Activity Funds  | 4                | 14          |
| Notes to Financial Statements  |                  | 15-23       |

# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 448, Inman, Kansas, as of and for the year ended June 30, 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 August 27, 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 and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component units. The District has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component unit, although not reasonably determinable, is presumed to be material.

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

In our opinion, because of the omission of the discretely presented component unit, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 448, Inman, Kansas, as of June 30, 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 Unified School District No. 448, Inman, Kansas, 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.

*Knudsen, Monroe & Company, LLC*

Certified Public Accountants  
September 23, 2011

## Unified School District No. 448

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

Year ended June 30, 2011

| <u>FUNDS</u>                          | Unencumbered<br>Cash Balance<br><u>06-30-10</u> | <u>Receipts</u>  | Expenditures<br>and<br><u>Transfers</u> | Unencumbered<br>Cash Balance<br><u>06-30-11</u> | Liabilities and<br><u>Encumbrances</u> | Cash Balance<br><u>06-30-11</u> |
|---------------------------------------|---|------------------|---|---|--|---------------------------------|
| <b>General</b>                        |   |                  |   |   |  |                                 |
| General                               | \$ (265,043)                                    | 3,414,593        | 3,348,166                               | (198,616)                                       | 69,149                                 | (129,467)                       |
| Supplemental general                  | (33,795)  | 1,168,499        | 1,093,378                               | 41,326  | 40,381                                 | 81,707                          |
| <b>Special revenue</b>                |   |                  |   |   |  |                                 |
| At Risk (4 Yr Old)                    | -   | 51,625           | 51,625                                  | -   | -                                      | -                               |
| At Risk (K-12)                        | -   | 114,843          | 114,843                                 | -   | -                                      | -                               |
| Bilingual education                   | -   | 14,406           | 14,406                                  | -   | -                                      | -                               |
| Capital outlay                        | 370,975   | 171,088          | 43,328                                  | 498,735   | 4,260                                  | 502,995                         |
| Driver training                       | 9,416   | 7,535            | 9,304                                   | 7,647   | -                                      | 7,647                           |
| Food service                          | 56,485  | 182,662          | 188,369                                 | 50,778  | -                                      | 50,778                          |
| Professional development              | 43,000  | 32,817           | 32,817                                  | 43,000  | 8,455                                  | 51,455                          |
| Special education                     | 175,000   | 665,659          | 661,064                                 | 179,595   | -                                      | 179,595                         |
| Vocational education                  | -   | 190,851          | 190,851                                 | -   | 253                                    | 253                             |
| KPERS special retirement contribution | -   | 157,202          | 157,202                                 | -   | -                                      | -                               |
| Contingency reserve                   | 126,691   | -                | -                                       | 126,691   | -                                      | 126,691                         |
| Recreation                            | 9,824   | 23,336           | 22,350                                  | 10,810  | -                                      | 10,810                          |
| Federal government programs           | -   | 98,936           | 98,936                                  | -   | 1,199                                  | 1,199                           |
| Activity gate receipts                | 11,871  | 91,151           | 83,641                                  | 19,381  | -                                      | 19,381                          |
| School projects                       | 11,052  | 15,465           | 14,862                                  | 11,655  | -                                      | 11,655                          |
| <b>Debt service</b>                   |   |                  |   |   |  |                                 |
| Bond and interest                     | 390,502   | 438,767          | 430,633                                 | 398,636   | -                                      | 398,636                         |
| <b>Fiduciary</b>                      |   |                  |   |   |  |                                 |
| Memorials and gifts                   | 15,540  | 9,681            | 2,839                                   | 22,382  | -                                      | 22,382                          |
| Student organizations                 | -   | 48,222           | 48,222                                  | -   | 33,375                                 | 33,375                          |
|                                       | <u>\$ 921,518</u>                               | <u>6,897,338</u> | <u>6,606,836</u>                        | <u>1,212,020</u>                                | <u>157,072</u>                         | <u>1,369,092</u>                |

See notes to financial statements

## Unified School District No. 448

SUMMARY STATEMENT OF EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2011

|                                       | Certified<br>Budget | Adjustment to<br>Comply with<br>Legal Max | Adjustment for<br>Qualifying<br>Budget Credits | Total<br>Budget for<br>Comparison | Expenditures<br>Chargeable to<br>Current Year | Variance<br>Over<br>(Under) |
|---------------------------------------|---------------------|---|--|-----------------------------------|---|-----------------------------|
| <b>General</b>                        |                     |   |  |                                   |   |                             |
| General                               | \$3,371,284         | (56,724)                                  | 33,606   | 3,348,166                         | 3,348,166                                     | -                           |
| Supplemental general                  | 1,093,378           | -   | -  | 1,093,378                         | 1,093,378                                     | -                           |
| <b>Special revenue</b>                |                     |   |  |                                   |   |                             |
| At Risk (4 Yr Old)                    | 61,300              | -   | -  | 61,300                            | 51,625  | (9,675)                     |
| At Risk (K-12)                        | 125,000             | -   | -  | 125,000                           | 114,843                                       | (10,157)                    |
| Bilingual education                   | -                   | -   | -  | -                                 | 14,406  | 14,406                      |
| Capital outlay                        | 230,000             | -   | -  | 230,000                           | 43,328  | (186,672)                   |
| Driver training                       | 10,500              | -   | -  | 10,500                            | 9,304   | (1,196)                     |
| Food service                          | 228,000             | -   | -  | 228,000                           | 188,369                                       | (39,631)                    |
| Professional development              | 49,000              | -   | -  | 49,000                            | 32,817  | (16,183)                    |
| Special education                     | 664,000             | -   | -  | 664,000                           | 661,064                                       | (2,936)                     |
| Vocational education                  | 205,650             | -   | -  | 205,650                           | 190,851                                       | (14,799)                    |
| KPERS special retirement contribution | 212,975             | -   | -  | 212,975                           | 157,202                                       | (55,773)                    |
| Recreation                            | 22,350              | -   | -  | 22,350                            | 22,350  | -                           |
| <b>Debt service</b>                   |                     |   |  |                                   |   |                             |
| Bond and interest                     | 432,630             | -   | -  | 432,630                           | 430,633                                       | (1,997)                     |
|                                       | <u>\$6,706,067</u>  | <u>(56,724)</u>                           | <u>33,606</u>                                  | <u>6,682,949</u>                  | 6,358,336                                     | <u>(324,613)</u>            |
| Add expenditures of unbudgeted funds  |                     |   |  |                                   |   |                             |
| Special revenue                       |                     |   |  |                                   | 197,439                                       |                             |
| Fiduciary                             |                     |   |  |                                   | 51,061  |                             |
| Total expenditures, Statement 1       |                     |   |  |                                   | <u>\$ 6,606,836</u>                           |                             |

## Unified School District No. 448

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<br>Actual      | 2011             |                  | Variance<br>Over<br>(Under) |
|--|---------------------|------------------|------------------|-----------------------------|
|  |                     | Actual           | Budget           |                             |
| <b>GENERAL</b>                           |                     |                  |                  |                             |
| Receipts                                 |                     |                  |                  |                             |
| Tax in process                           | \$ 17,394           | 15,983           | 439              | 15,544                      |
| Current tax                              | 457,214             | 481,077          | 467,320          | 13,757                      |
| Delinquent tax                           | 5,888               | 10,300           | 12,049           | (1,749)                     |
| General state aid                        | 2,305,101           | 2,234,549        | 2,395,398        | (160,849)                   |
| Mineral production tax                   | 5,623               | 9,932            | -                | 9,932                       |
| State special education aid              | 424,357             | 468,274          | 437,600          | 30,674                      |
| Federal education jobs aid               | -                   | 102,394          | -                | 102,394                     |
| Federal ARRA stabilization aid           | 154,768             | 58,478           | 58,478           | -                           |
| Reimbursements                           | 38,211              | 33,606           | -                | 33,606                      |
|  | <u>3,408,556</u>    | <u>3,414,593</u> | <u>3,371,284</u> | <u>43,309</u>               |
| Expenditures                             |                     |                  |                  |                             |
| Instruction                              | 1,866,869           | 1,582,806        | 1,856,784        | (273,978)                   |
| Student support services                 | 6,423               | 10,325           | 6,500            | 3,825                       |
| Instructional support services           | 8,829               | 4,403            | 8,700            | (4,297)                     |
| General administration                   | 205,490             | 260,407          | 209,500          | 50,907                      |
| School administration                    | 193,990             | 194,571          | 194,000          | 571                         |
| Operation and maintenance                | 334,215             | 476,522          | 352,700          | 123,822                     |
| Student transportation                   | 123,579             | 117,760          | 123,000          | (5,240)                     |
| Other supplemental services              | 56,736              | 68,692           | 57,500           | 11,192                      |
| Operating transfers                      | 579,663             | 632,680          | 562,600          | 70,080                      |
|  | <u>3,375,794</u>    | <u>3,348,166</u> | <u>3,371,284</u> | <u>(23,118)</u>             |
| Adjustment to comply with legal max      | -                   | -                | (56,724)         | 56,724                      |
| Adjustment for qualifying budget credits | -                   | -                | 33,606           | (33,606)                    |
| Total expenditures                       | <u>3,375,794</u>    | <u>3,348,166</u> | <u>3,348,166</u> | <u>-</u>                    |
| Receipts over (under) expenditures       | 32,762              | 66,427           |                  |                             |
| Unencumbered cash, beginning             | <u>(297,805)</u>    | <u>(265,043)</u> |                  |                             |
| Unencumbered cash, ending                | <u>\$ (265,043)</u> | <u>(198,616)</u> |                  |                             |

See notes to financial statements

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2011

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

|                                    | 2010<br>Actual     | 2011             |                  | Variance<br>Over<br>(Under) |
|------------------------------------|--------------------|------------------|------------------|-----------------------------|
|                                    |                    | Actual           | Budget           |                             |
| <b>SUPPLEMENTAL GENERAL</b>        |                    |                  |                  |                             |
| Receipts                           |                    |                  |                  |                             |
| Tax in process                     | \$ 19,459          | 20,188           | 1,958            | 18,230                      |
| Current tax                        | 543,683            | 577,234          | 538,782          | 38,452                      |
| Delinquent tax                     | 6,737              | 11,561           | 14,367           | (2,806)                     |
| Vehicle tax                        | 58,901             | 65,663           | 62,385           | 3,278                       |
| Mineral production tax             | 5,998              | 10,631           | -                | 10,631                      |
| Supplemental state aid             | 312,277            | 483,222          | 423,487          | 59,735                      |
| ARRA stabilization aid             | 111,637            | -                | -                | -                           |
|                                    | <u>1,058,692</u>   | <u>1,168,499</u> | <u>1,040,979</u> | <u>127,520</u>              |
| Expenditures                       |                    |                  |                  |                             |
| Instruction                        | 259,718            | 479,887          | 236,078          | 243,809                     |
| Student support services           | 3,986              | 31,681           | 10,000           | 21,681                      |
| Operations and maintenance         | 154,629            | 2,000            | 161,000          | (159,000)                   |
| Student transportation             | 9,000              | -                | 5,000            | (5,000)                     |
| Operating transfers                | 645,297            | 579,810          | 681,300          | (101,490)                   |
|                                    | <u>1,072,630</u>   | <u>1,093,378</u> | <u>1,093,378</u> | <u>-</u>                    |
| Receipts over (under) expenditures | (13,938)           | 75,121           |                  |                             |
| Unencumbered cash, beginning       | <u>(19,857)</u>    | <u>(33,795)</u>  |                  |                             |
| Unencumbered cash, ending          | <u>\$ (33,795)</u> | <u>41,326</u>    |                  |                             |

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2011

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

|                                    | 2010<br>Actual | 2011    |         | Variance<br>Over<br>(Under) |
|------------------------------------|----------------|---------|---------|-----------------------------|
|                                    |                | Actual  | Budget  |                             |
| <b>AT RISK (4 YR OLD)</b>          |                |         |         |                             |
| Receipts                           |                |         |         |                             |
| Transfers from other funds         | \$ 50,200      | 51,625  | 61,300  | (9,675)                     |
| Expenditures                       |                |         |         |                             |
| Instruction                        |                |         |         |                             |
| Salaries and benefits              | 48,692         | 51,486  | 58,800  | (7,314)                     |
| Other                              | 1,508          | 139     | 2,500   | (2,361)                     |
|                                    | 50,200         | 51,625  | 61,300  | (9,675)                     |
| Receipts over (under) expenditures | -              | -       |         |                             |
| Unencumbered cash, beginning       | -              | -       |         |                             |
| Unencumbered cash, ending          | \$ -           | -       |         |                             |
| <b>AT RISK (K-12)</b>              |                |         |         |                             |
| Receipts                           |                |         |         |                             |
| Transfers from other funds         | \$ 115,933     | 114,843 | 125,000 | (10,157)                    |
| Expenditures                       |                |         |         |                             |
| Instruction                        |                |         |         |                             |
| Salaries and benefits              | 102,171        | 114,843 | 105,000 | 9,843                       |
| Other                              | 13,762         | -       | 20,000  | (20,000)                    |
|                                    | 115,933        | 114,843 | 125,000 | (10,157)                    |
| Receipts over (under) expenditures | -              | -       |         |                             |
| Unencumbered cash, beginning       | -              | -       |         |                             |
| Unencumbered cash, ending          | \$ -           | -       |         |                             |
| <b>BILINGUAL EDUCATION</b>         |                |         |         |                             |
| Receipts                           |                |         |         |                             |
| Transfers from other funds         | \$ -           | 14,406  | -       | 14,406                      |
| Expenditures                       |                |         |         |                             |
| Instruction                        |                |         |         |                             |
| Salaries and benefits              | -              | 14,406  | -       | 14,406                      |
| Receipts over (under) expenditures | -              | -       |         |                             |
| Unencumbered cash, beginning       | -              | -       |         |                             |
| Unencumbered cash, ending          | \$ -           | -       |         |                             |

See notes to financial statements

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2011

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

|                                    | 2010<br>Actual    | 2011           |                | Variance<br>Over<br>(Under) |
|------------------------------------|-------------------|----------------|----------------|-----------------------------|
|                                    |                   | Actual         | Budget         |                             |
| <b>CAPITAL OUTLAY</b>              |                   |                |                |                             |
| Receipts                           |                   |                |                |                             |
| Tax in process                     | \$ 1,501          | -              | -              | -                           |
| Current tax                        | 139               | -              | -              | -                           |
| Delinquent tax                     | 253               | 188            | -              | 188                         |
| Vehicle tax                        | 1,177             | 3,509          | 3,109          | 400                         |
| Interest                           | 10,117            | 6,665          | 10,000         | (3,335)                     |
| Sale of property and other         | 3,354             | 12,683         | 5,000          | 7,683                       |
| Transfers from other funds         | 150,000           | 148,043        | 125,000        | 23,043                      |
|                                    | <u>166,541</u>    | <u>171,088</u> | <u>143,109</u> | <u>27,979</u>               |
| Expenditures                       |                   |                |                |                             |
| Equipment and furniture            | -                 | -              | 25,000         | (25,000)                    |
| Construction and remodeling        | 169,802           | 43,328         | 190,000        | (146,672)                   |
| Architectual services and other    | 570               | -              | 15,000         | (15,000)                    |
|                                    | <u>170,372</u>    | <u>43,328</u>  | <u>230,000</u> | <u>(186,672)</u>            |
| Receipts over (under) expenditures | (3,831)           | 127,760        |                |                             |
| Unencumbered cash, beginning       | <u>374,806</u>    | <u>370,975</u> |                |                             |
| Unencumbered cash, ending          | <u>\$ 370,975</u> | <u>498,735</u> |                |                             |
| <b>DRIVER TRAINING</b>             |                   |                |                |                             |
| Receipts                           |                   |                |                |                             |
| State aid                          | \$ 1,550          | 2,368          | 2,800          | (432)                       |
| Other                              | 5,870             | 5,167          | 6,500          | (1,333)                     |
|                                    | <u>7,420</u>      | <u>7,535</u>   | <u>9,300</u>   | <u>(1,765)</u>              |
| Expenditures                       |                   |                |                |                             |
| Instruction                        |                   |                |                |                             |
| Salaries and benefits              | 7,661             | 8,713          | 9,500          | (787)                       |
| Other                              | 1,342             | 591            | 1,000          | (409)                       |
|                                    | <u>9,003</u>      | <u>9,304</u>   | <u>10,500</u>  | <u>(1,196)</u>              |
| Receipts over (under) expenditures | (1,583)           | (1,769)        |                |                             |
| Unencumbered cash, beginning       | <u>10,999</u>     | <u>9,416</u>   |                |                             |
| Unencumbered cash, ending          | <u>\$ 9,416</u>   | <u>7,647</u>   |                |                             |

See notes to financial statements

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2011

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

|                                    | 2010<br>Actual   | 2011           |                | Variance<br>Over<br>(Under) |
|------------------------------------|------------------|----------------|----------------|-----------------------------|
|                                    |                  | Actual         | Budget         |                             |
| <b>FOOD SERVICE</b>                |                  |                |                |                             |
| Receipts                           |                  |                |                |                             |
| Lunch sales                        | \$ 122,996       | 120,054        | 126,625        | (6,571)                     |
| Federal aid                        | 62,145           | 57,929         | 62,607         | (4,678)                     |
| State aid                          | 2,993            | 2,722          | 2,421          | 301                         |
| Other                              | 518              | -              | 500            | (500)                       |
| Transfers from other funds         | 36,000           | 1,957          | 40,000         | (38,043)                    |
|                                    | <u>224,652</u>   | <u>182,662</u> | <u>232,153</u> | <u>(49,491)</u>             |
| Expenditures                       |                  |                |                |                             |
| Food service operations            |                  |                |                |                             |
| Salaries and benefits              | 83,289           | 82,991         | 88,000         | (5,009)                     |
| Food and supplies                  | 136,156          | 103,696        | 132,500        | (28,804)                    |
| Equipment                          | 2,610            | 258            | 2,500          | (2,242)                     |
| Other                              | 5,063            | 1,424          | 5,000          | (3,576)                     |
|                                    | <u>227,118</u>   | <u>188,369</u> | <u>228,000</u> | <u>(39,631)</u>             |
| Receipts over (under) expenditures | (2,466)          | (5,707)        |                |                             |
| Unencumbered cash, beginning       | <u>58,951</u>    | <u>56,485</u>  |                |                             |
| Unencumbered cash, ending          | <u>\$ 56,485</u> | <u>50,778</u>  |                |                             |
| <b>PROFESSIONAL DEVELOPMENT</b>    |                  |                |                |                             |
| Receipts                           |                  |                |                |                             |
| Other                              | \$ -             | 300            | -              | 300                         |
| Transfers from other funds         | 40,630           | 32,517         | 40,000         | (7,483)                     |
|                                    | <u>40,630</u>    | <u>32,817</u>  | <u>40,000</u>  | <u>(7,183)</u>              |
| Expenditures                       |                  |                |                |                             |
| Instructional support              |                  |                |                |                             |
| Salaries and benefits              | 3,463            | -              | 5,500          | (5,500)                     |
| Purchased services and other       | 37,159           | 32,817         | 43,500         | (10,683)                    |
|                                    | <u>40,622</u>    | <u>32,817</u>  | <u>49,000</u>  | <u>(16,183)</u>             |
| Receipts over (under) expenditures | 8                | -              |                |                             |
| Unencumbered cash, beginning       | <u>42,992</u>    | <u>43,000</u>  |                |                             |
| Unencumbered cash, ending          | <u>\$ 43,000</u> | <u>43,000</u>  |                |                             |

See notes to financial statements

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2011

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

|                                    | 2010<br>Actual    | 2011           |                | Variance<br>Over<br>(Under) |
|------------------------------------|-------------------|----------------|----------------|-----------------------------|
|                                    |                   | Actual         | Budget         |                             |
| <b>SPECIAL EDUCATION</b>           |                   |                |                |                             |
| Receipts                           |                   |                |                |                             |
| Transfers from other funds         | \$ 626,404        | 660,298        | 647,600        | 12,698                      |
| Other                              | 1,910             | 5,361          | -              | 5,361                       |
|                                    | <u>628,314</u>    | <u>665,659</u> | <u>647,600</u> | <u>18,059</u>               |
| Expenditures                       |                   |                |                |                             |
| Instruction                        |                   |                |                |                             |
| Payments to Special Education Coop | 603,916           | 640,729        | 640,000        | 729                         |
| Student Transportation             |                   |                |                |                             |
| Salaries and benefits              | 12,020            | 13,745         | 16,500         | (2,755)                     |
| Other                              | 6,930             | 6,590          | 7,500          | (910)                       |
|                                    | <u>622,866</u>    | <u>661,064</u> | <u>664,000</u> | <u>(2,936)</u>              |
| Receipts over (under) expenditures | 5,448             | 4,595          |                |                             |
| Unencumbered cash, beginning       | 169,552           | 175,000        |                |                             |
| Unencumbered cash, ending          | <u>\$ 175,000</u> | <u>179,595</u> |                |                             |
| <b>VOCATIONAL EDUCATION</b>        |                   |                |                |                             |
| Receipts                           |                   |                |                |                             |
| Transfers from other funds         | \$ 205,793        | 188,801        | 205,000        | (16,199)                    |
| Reimbursements                     |                   |                |                |                             |
| Federal grant                      | 2,000             | 2,050          | 1,000          | 1,050                       |
|                                    | <u>207,793</u>    | <u>190,851</u> | <u>206,000</u> | <u>(15,149)</u>             |
| Expenditures                       |                   |                |                |                             |
| Instruction                        |                   |                |                |                             |
| Salaries and benefits              | 190,852           | 170,760        | 186,650        | (15,890)                    |
| Tuition                            | 10,240            | 9,344          | 10,000         | (656)                       |
| Supplies                           | 3,274             | 6,177          | 4,000          | 2,177                       |
| Equipment                          | 1,234             | 80             | 2,000          | (1,920)                     |
| Other                              | 2,193             | 4,490          | 3,000          | 1,490                       |
|                                    | <u>207,793</u>    | <u>190,851</u> | <u>205,650</u> | <u>(14,799)</u>             |
| Receipts over (under) expenditures | -                 | -              |                |                             |
| Unencumbered cash, beginning       | -                 | -              |                |                             |
| Unencumbered cash, ending          | <u>\$ -</u>       | <u>-</u>       |                |                             |

See notes to financial statements

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2011

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

|  | 2010<br>Actual    | 2011           |                | Variance<br>Over<br>(Under) |
|--|-------------------|----------------|----------------|-----------------------------|
|  |                   | Actual         | Budget         |                             |
| <b>KPERS SPECIAL</b>                   |                   |                |                |                             |
| <b>RETIREMENT CONTRIBUTION</b>         |                   |                |                |                             |
| Receipts                               |                   |                |                |                             |
| State KPERS aid                        | \$ 188,474        | 157,202        | <u>212,975</u> | <u>(55,773)</u>             |
| Expenditures                           |                   |                |                |                             |
| Employee benefits                      | <u>188,474</u>    | <u>157,202</u> | <u>212,975</u> | <u>(55,773)</u>             |
| Receipts over (under) expenditures     | -                 | -              |                |                             |
| Unencumbered cash, beginning           | -                 | -              |                |                             |
| Unencumbered cash, ending              | <u>\$ -</u>       | <u>-</u>       |                |                             |
| <b>CONTINGENCY RESERVE</b>             |                   |                |                |                             |
| Receipts                               | \$ -              | -              |                |                             |
| Expenditures                           | -                 | -              | NOT APPLICABLE |                             |
| Receipts over (under) expenditures     | -                 | -              |                |                             |
| Unencumbered cash, beginning           | <u>126,691</u>    | <u>126,691</u> |                |                             |
| Unencumbered cash, ending              | <u>\$ 126,691</u> | <u>126,691</u> |                |                             |
| <b>RECREATION</b>                      |                   |                |                |                             |
| Receipts                               |                   |                |                |                             |
| Tax in process                         | \$ 740            | 681            | 58             | 623                         |
| Current tax                            | 18,350            | 19,445         | 18,937         | 508                         |
| Delinquent tax                         | 270               | 442            | 485            | (43)                        |
| Vehicle tax                            | 2,240             | 2,410          | 2,281          | 129                         |
| Mineral production tax                 | <u>202</u>        | <u>358</u>     | -              | <u>358</u>                  |
|  | 21,802            | 23,336         | <u>21,761</u>  | <u>1,575</u>                |
| Expenditures                           |                   |                |                |                             |
| Appropriation to recreation commission | <u>21,750</u>     | <u>22,350</u>  | <u>22,350</u>  | -                           |
| Receipts over (under) expenditures     | 52                | 986            |                |                             |
| Unencumbered cash, beginning           | <u>9,772</u>      | <u>9,824</u>   |                |                             |
| Unencumbered cash, ending              | <u>\$ 9,824</u>   | <u>10,810</u>  |                |                             |

See notes to financial statements

Unified School District No. 448

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

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

|                                    |                                    | 2011            |                 |                                  |                                       |               | 2010          |                |
|------------------------------------|------------------------------------|-----------------|-----------------|----------------------------------|---------------------------------------|---------------|---------------|----------------|
|                                    |                                    | Title I<br>ESEA | Title I<br>ARRA | Title II-A<br>Teacher<br>Quality | Title II-D<br>Technology<br>Education | REAP<br>Grant | Total         | Total          |
| <b>FEDERAL GOVERNMENT PROGRAMS</b> |                                    |                 |                 |                                  |                                       |               |               |                |
| Receipts                           |                                    |                 |                 |                                  |                                       |               |               |                |
|                                    | Federal aid                        | \$ 34,715       | 8,922           | 11,986                           | 118                                   | 43,195        | 98,936        | 105,104        |
| Expenditures                       |                                    |                 |                 |                                  |                                       |               |               |                |
|                                    | Salaries and benefits              | 34,215          | -               | 10,787                           | 118                                   | 41,617        | 86,737        | 92,551         |
|                                    | Equipment                          | -               | 8,033           | -                                | -                                     | -             | 8,033         | 12,553         |
|                                    | Purchased contractual services     | -               | -               | 1,199                            | -                                     | -             | 1,199         | -              |
|                                    | Supplies and other                 | 500             | 889             | -                                | -                                     | 1,578         | 2,967         | -              |
|                                    |                                    | <u>34,715</u>   | <u>8,922</u>    | <u>11,986</u>                    | <u>118</u>                            | <u>43,195</u> | <u>98,936</u> | <u>105,104</u> |
|                                    | Receipts over (under) expenditures | -               | -               | -                                | -                                     | -             | -             | -              |
|                                    | Unencumbered cash, beginning       | -               | -               | -                                | -                                     | -             | -             | -              |
|                                    | Unencumbered cash, ending          | \$ -            | -               | -                                | -                                     | -             | -             | -              |

\* Legally adopted budget not applicable

11

## Unified School District No. 448

STATEMENT OF CASH RECEIPTS AND EXPENDITURES-  
ACTUAL AND BUDGET

Year ended June 30, 2011

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

|                                    | 2010<br>Actual    | 2011           |                | Variance<br>Over<br>(Under) |
|------------------------------------|-------------------|----------------|----------------|-----------------------------|
|                                    |                   | Actual         | Budget         |                             |
| <b>BOND AND INTEREST</b>           |                   |                |                |                             |
| Receipts                           |                   |                |                |                             |
| Tax in process                     | \$ 11,395         | 9,721          | 757            | 8,964                       |
| Current tax                        | 262,077           | 273,017        | 266,142        | 6,875                       |
| Delinquent tax                     | 4,420             | 6,991          | 6,920          | 71                          |
| Vehicle tax                        | 36,482            | 36,351         | 34,217         | 2,134                       |
| Mineral production tax             | 2,878             | 5,029          | -              | 5,029                       |
| State aid                          | 114,634           | 107,658        | 110,225        | (2,567)                     |
|                                    | <u>431,886</u>    | <u>438,767</u> | <u>418,261</u> | <u>20,506</u>               |
| Expenditures                       |                   |                |                |                             |
| Principal                          | 375,000           | 380,000        | 381,000        | (1,000)                     |
| Interest                           | 65,901            | 50,629         | 50,630         | (1)                         |
| Commissions and fees               | -                 | 4              | 1,000          | (996)                       |
|                                    | <u>440,901</u>    | <u>430,633</u> | <u>432,630</u> | <u>(1,997)</u>              |
| Receipts over (under) expenditures | (9,015)           | 8,134          |                |                             |
| Unencumbered cash, beginning       | <u>399,517</u>    | <u>390,502</u> |                |                             |
| Unencumbered cash, ending          | <u>\$ 390,502</u> | <u>398,636</u> |                |                             |

## Unified School District No. 448

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

Years ended June 30, 2011 and 2010

|                                     | <u>2011</u>      | <u>2010</u>   |
|-------------------------------------|------------------|---------------|
| <b>MEMORIALS AND GIFTS</b>          |                  |               |
| Receipts                            | \$ 9,681         | 13,342        |
| Disbursements                       | <u>2,839</u>     | <u>33,891</u> |
| Receipts over (under) disbursements | 6,842            | (20,549)      |
| Cash balance, beginning             | <u>15,540</u>    | <u>36,089</u> |
| Cash balance, ending                | <u>\$ 22,382</u> | <u>15,540</u> |

## Unified School District No. 448

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

Year ended June 30, 2011

|                                  | Beginning<br>Balance | Receipts | Disbursements | Ending<br>Balance |
|----------------------------------|----------------------|----------|---------------|-------------------|
| <b>ACTIVITY GATE RECEIPTS</b>    |                      |          |               |                   |
| High school activities           | \$ 11,708            | 88,054   | 80,622        | 19,140            |
| Grade school activities          | 163                  | 3,097    | 3,019         | 241               |
| Totals to Statement 1            | \$ 11,871            | 91,151   | 83,641        | 19,381            |
| <br><b>SCHOOL PROJECTS</b>       |                      |          |               |                   |
| High school                      |                      |          |               |                   |
| Scholarships                     | \$ 3,335             | 1,301    | 909           | 3,727             |
| Other                            | 4,098                | 6,868    | 6,016         | 4,950             |
| Grade school                     |                      |          |               |                   |
| Box top fund                     | 1,469                | 4,195    | 2,967         | 2,697             |
| Yearbook                         | 992                  | 1,063    | 2,055         | -                 |
| Wal-Mart environmental           | 60                   | -        | 60            | -                 |
| Other                            | 1,098                | 2,038    | 2,855         | 281               |
| Totals to Statement 1            | \$ 11,052            | 15,465   | 14,862        | 11,655            |
| <br><b>STUDENT ORGANIZATIONS</b> |                      |          |               |                   |
| High school                      | \$ 40,995            | 43,182   | 52,716        | 31,461            |
| Grade school                     | 1,316                | 5,040    | 4,442         | 1,914             |
| Total cash basis activity        | 42,311               | 48,222   | 57,158        | 33,375            |
| Adjustments for encumbrances     |                      |          |               |                   |
| June 30, 2010                    | (42,311)             | -        | (42,311)      | -                 |
| June 30, 2011                    | -                    | -        | 33,375        | (33,375)          |
| Totals to Statement 1            | \$ -                 | 48,222   | 48,222        | -                 |

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

In addition to the primary government, the Inman Recreation Commission, which operates recreational programs within the district, qualifies as a component unit of the district. However, its financial activity is not included in the accompanying financial statements.

Fund Descriptions

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

The following types of funds comprise the financial activities of the District for the year ended June 30, 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 general long-term debt.

Fiduciary Funds

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

Departure from Generally Accepted Accounting Principles

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

Activity Funds

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

Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. BUDGETARY INFORMATION

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

1. 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.

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district, and if this "legal max" budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. The "legal max" budget for the year ended June 30, 2011, was \$3,314,560 before taking into consideration items that qualify as budget credits.

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

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

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

- Federal government programs
- Contingency reserve

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. DEPOSITS AND INVESTMENTS

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

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

As of June 30, 2011, all District funds were held in bank deposits.

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

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

At June 30, 2011, the carrying amount of the District's deposits was \$1,369,092. The bank balance totaled \$1,592,131. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by FDIC insurance with the remaining \$1,342,131 collateralized with securities held by the pledging financial institutions' agents in the District's name.

Unified School District No. 448

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. DEPOSITS AND INVESTMENTS (Continued)

Composition of Cash

The cash of the District at June 30, 2011, consisted of the following:

Farmers National Bank, Inman

|                             |                     |
|-----------------------------|---------------------|
| Time deposits               |                     |
| NOW account                 | \$ 1,296,607        |
| High school activity fund   | 59,278              |
| Don Kimble memorial account | <u>1,989</u>        |
| Total time deposits         | <u>1,357,874</u>    |
| Demand deposits             |                     |
| TTL account                 | 500                 |
| Debit card account          | 803                 |
| Grade school activity fund  | 5,133               |
| District petty cash         | <u>4,782</u>        |
| Total demand deposits       | <u>11,218</u>       |
| Total cash                  | <u>\$ 1,369,092</u> |

4. GENERAL 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>Issued</u>  | <u>Retired</u> | <u>Balance 6-30-11</u> | <u>Interest Paid</u> |
|---------------------------|-----------------------|----------------------|------------------------|----------------------|------------------------|----------------|----------------|------------------------|----------------------|
| General Obligation Bonds: |                       |                      |                        |                      |                        |                |                |                        |                      |
| School improvement        |                       |                      |                        |                      |                        |                |                |                        |                      |
| Series 1997B              | 4.40-5.25%            | 7/1/1997             | \$4,000,000            | 9/1/2013             | \$ 755,000             | -              | 365,000        | 390,000                | 30,841               |
| Refunding issue           |                       |                      |                        |                      |                        |                |                |                        |                      |
| Series 2004               | 2.00-3.20%            | 1/21/2004            | 2,080,000              | 9/1/2013             | 555,000                | -              | 15,000         | 540,000                | 19,788               |
| Capital Lease:            |                       |                      |                        |                      |                        |                |                |                        |                      |
| Apple Inc. lease          | 0.90%                 | 6/14/2011            | 101,460                | 7/20/2012            | -                      | <u>101,460</u> | <u>50,957</u>  | <u>50,503</u>          | -                    |
| Totals                    |                       |                      |                        |                      | <u>\$1,310,000</u>     | <u>101,460</u> | <u>430,957</u> | <u>980,503</u>         | <u>50,629</u>        |

Unified School District No. 448

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. GENERAL LONG-TERM DEBT (Continued)

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

| <u>Period ending June 30</u> | <u>G.O. Bonds</u> |                 | <u>Capital Lease</u> |                 | <u>Total</u>                  |
|------------------------------|-------------------|-----------------|----------------------|-----------------|-------------------------------|
|                              | <u>Principal</u>  | <u>Interest</u> | <u>Principal</u>     | <u>Interest</u> | <u>Principal and Interest</u> |
| 2012                         | \$ 405,000        | 27,762          | 50,503               | 454             | 483,719                       |
| 2013                         | 425,000           | 9,575           | -                    | -               | 434,575                       |
| 2014                         | 100,000           | 1,600           | -                    | -               | 101,600                       |
| Total                        | <u>\$ 930,000</u> | <u>38,937</u>   | <u>50,503</u>        | <u>454</u>      | <u>1,019,894</u>              |

5. DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

K.S.A. 74-4919 established the KPERs member-employee contribution rate at 4.0 to 6.0% of covered salary. Member-employees contributions are withheld by their employer and paid to KPERs according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. For the year ended June 30, 2011, the State of Kansas contributed 9.17% of covered payroll. 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

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

The District's liability for unused vacation time and accumulated personal and sick days at June 30, 2011 has not been recorded in these financial statements.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

7. INTERFUND TRANSFERS

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

|                          | Transfer to |                  | Transfer from  |                         |
|--------------------------|-------------|------------------|----------------|-------------------------|
|                          |             | Total            | General        | Supplemental<br>General |
| At Risk (4 Yr Old)       | \$          | 51,625           | -              | 51,625                  |
| At Risk (K-12)           |             | 114,843          | -              | 114,843                 |
| Bilingual education      |             | 14,406           | 14,406         | -                       |
| Capital Outlay           |             | 148,043          | 148,043        | -                       |
| Food service             |             | 1,957            | 1,957          | -                       |
| Professional Development |             | 32,517           | -              | 32,517                  |
| Special Education        |             | 660,298          | 468,274        | 192,024                 |
| Vocational Education     |             | 188,801          | -              | 188,801                 |
|                          | \$          | <u>1,212,490</u> | <u>632,680</u> | <u>579,810</u>          |

8. 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.

9. 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 Bilingual Education fund.

Unified School District No. 448

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

9. COMPLIANCE WITH KANSAS STATUTES (Continued)

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 that school districts 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 schedules show the revenue in the General and Supplemental General funds as required by these statutes.

|  | Statutory<br>Transactions | Budget           | Variance<br>Over<br>(Under) |
|--|---------------------------|------------------|-----------------------------|
| <b>GENERAL</b>                           |                           |                  |                             |
| Statutory revenues                       |                           |                  |                             |
| Tax in process                           | \$ 15,983                 | 439              | 15,544                      |
| Current tax                              | 481,077                   | 467,320          | 13,757                      |
| Delinquent tax                           | 10,300                    | 12,049           | (1,749)                     |
| General state aid                        | 2,168,122                 | 2,395,398        | (227,276)                   |
| Mineral production tax                   | 9,932                     | -                | 9,932                       |
| Special education state aid              | 468,274                   | 437,600          | 30,674                      |
| Federal education jobs aid               | 102,394                   | -                | 102,394                     |
| Federal ARRA stabilization aid           | 58,478                    | 58,478           | -                           |
| Reimbursements                           | 33,606                    | -                | 33,606                      |
| Total statutory revenue                  | <u>3,348,166</u>          | <u>3,371,284</u> | <u>(23,118)</u>             |
| Expenditures                             |                           |                  |                             |
| Instruction                              | 1,582,806                 | 1,856,784        | (273,978)                   |
| Student support services                 | 10,325                    | 6,500            | 3,825                       |
| Instructional support services           | 4,403                     | 8,700            | (4,297)                     |
| General administration                   | 260,407                   | 209,500          | 50,907                      |
| School administration                    | 194,571                   | 194,000          | 571                         |
| Operation and maintenance                | 476,522                   | 352,700          | 123,822                     |
| Student transportation                   | 117,760                   | 123,000          | (5,240)                     |
| Other supplemental service               | 68,692                    | 57,500           | 11,192                      |
| Operating transfers                      | 632,680                   | 562,600          | 70,080                      |
| Adjustment to comply with legal max      | -                         | (56,724)         | 56,724                      |
| Legal general fund budget                | 3,348,166                 | 3,314,560        | 33,606                      |
| Adjustment for qualifying budget credits | -                         | 33,606           | (33,606)                    |
| Total expenditures                       | <u>3,348,166</u>          | <u>3,348,166</u> | <u>-</u>                    |
| Revenue over (under) expenditures        | -                         |                  |                             |
| Modified unencumbered cash, beginning    | -                         |                  |                             |
| Modified unencumbered cash, ending       | <u>\$ -</u>               |                  |                             |

Unified School District No. 448

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

9. COMPLIANCE WITH KANSAS STATUTES (Continued)

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

|   | <u>Statutory<br/>Transactions</u> | <u>Budget</u>       | <u>Variance<br/>Over<br/>(Under)</u> |
|---|-----------------------------------|---------------------|--------------------------------------|
| <b>SUPPLEMENTAL GENERAL</b>                             |                                   |                     |                                      |
| Statutory revenues                                      |                                   |                     |                                      |
| Tax in process  | \$ 20,188                         | 1,958               | 18,230                               |
| Current tax   | 577,234                           | 538,782             | 38,452                               |
| Delinquent tax  | 11,561                            | 14,367              | (2,806)                              |
| Vehicle tax   | 65,663                            | 62,385              | 3,278                                |
| Mineral production tax                                  | 10,631                            | -                   | 10,631                               |
| Supplemental state aid                                  | 422,106                           | 423,487             | (1,381)                              |
|   | <u>1,107,383</u>                  | <u>1,040,979</u>    | <u>66,404</u>                        |
| Expenditures  |                                   |                     |                                      |
| Instruction   | 479,887                           | 236,078             | 243,809                              |
| Student support services                                | 31,681                            | 10,000              | 21,681                               |
| Operations and maintenance                              | 2,000                             | 161,000             | (159,000)                            |
| Student transportation                                  | -                                 | 5,000               | (5,000)                              |
| Operating transfers                                     | 579,810                           | 681,300             | (101,490)                            |
| Legal supplemental general fund budget                  | <u>1,093,378</u>                  | <u>1,093,378</u>    | <u>-</u>                             |
| Revenue over (under) expenditures                       | 14,005                            |                     |                                      |
| Modified unencumbered cash, beginning                   | <u>52,399</u>                     |                     |                                      |
| Modified unencumbered cash, ending                      | <u>\$ 66,404</u>                  |                     |                                      |
| <br><b>RECONCILIATION - STATE AID</b>                   |                                   |                     |                                      |
|   |                                   | <u>General</u>      | <u>Supplemental<br/>General</u>      |
| General state aid - cash received                       |                                   | \$ 2,234,549        | 483,222                              |
| Less received July 2010 for year ended<br>June 30, 2010 |                                   | (265,043)           | (86,194)                             |
| Add received July 2011 for year ended<br>June 30, 2011  |                                   | <u>198,616</u>      | <u>25,078</u>                        |
| Statutory revenue - above                               |                                   | <u>\$ 2,168,122</u> | <u>422,106</u>                       |

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 September 23, 2011, which is the date at which the financial statements were available to be issued.