

UNIFIED SCHOOL DISTRICT NO. 460

HESSTON, KANSAS

Special Financial Statements

June 30, 2011

Unified School District No. 460

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 460
Hesston, Kansas

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 460, Hesston, 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 December 3, 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; the *Kansas Municipal Audit Guide*; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the District's legally separated 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, 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 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. 460, Hesston, 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. 460, Hesston, 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.

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 on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Unified School District No. 460, Hesston, Kansas, 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.

Krusden, Monroe & Company, LLC

Certified Public Accountants

October 24, 2011

Unified School District No. 460

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

June 30, 2011

<u>FUNDS</u>	Unencumbered Cash Balance 6-30-2010	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Unencumbered Cash Balance 6-30-2011	Liabilities and Encumbrances	Cash Balance 6-30-2011
General							
General	\$ (473,119)	-	5,463,214	5,413,501	(423,406)	232,613	(190,793)
Supplemental general	(147,165)	-	1,896,074	1,775,960	(27,051)	74,484	47,433
Special revenue							
At risk (K-12)	45,664	-	365,000	325,432	85,232	-	85,232
Bilingual education	19,768	-	50,000	50,156	19,612	-	19,612
Capital outlay	487,122	-	320,876	289,755	518,243	19,106	537,349
Driver training	11,241	-	11,971	11,683	11,529	-	11,529
Food service	41,440	-	365,022	343,542	62,920	-	62,920
Professional development	21,625	-	18,000	13,717	25,908	-	25,908
Parent education	744	-	5,000	4,406	1,338	-	1,338
Special education	263,451	-	920,952	917,179	267,224	-	267,224
Vocational education	50,931	-	220,865	223,389	48,407	-	48,407
KPERS retirement	-	-	262,186	262,186	-	-	-
Contingency reserve	400,000	-	-	-	400,000	-	400,000
Textbook and material revolving	24,767	-	25,660	22,947	27,480	-	27,480
Recreation	45,517	-	104,349	108,000	41,866	-	41,866
Recreation employee benefit and liability	8,559	-	17,717	19,000	7,276	-	7,276
State and federal grants	1,051	-	118,236	118,053	1,234	16,010	17,244
School activity funds							
Gate receipts	44,444	-	149,243	128,506	65,181	-	65,181
School projects	12,957	-	18,556	16,690	14,823	-	14,823
Debt service							
Bond and interest	815,590	-	1,066,121	1,000,068	881,643	-	881,643
Fiduciary							
Student organizations	-	-	155,470	155,470	-	28,686	28,686
	<u>\$ 1,674,587</u>	<u>-</u>	<u>11,554,512</u>	<u>11,199,640</u>	<u>2,029,459</u>	<u>370,899</u>	<u>2,400,358</u>

Unified School District No. 460

SUMMARY STATEMENT OF EXPENDITURES –
ACTUAL AND BUDGET

Year ended June 30, 2011

	Certified <u>Budget</u>	Adjustment to Comply with <u>Legal Max</u>	Adjustment for Qualifying <u>Budget Credits</u>	Total Budget for <u>Comparison</u>	Expenditures Chargeable to <u>Current Year</u>	Variance Over <u>(Under)</u>
General						
General	\$ 5,384,505	(22,705)	51,701	5,413,501	5,413,501	-
Supplemental general	1,775,960	-	-	1,775,960	1,775,960	-
Special revenue						
At risk (K-12)	349,550	-	-	349,550	325,432	(24,118)
Bilingual education	63,973	-	-	63,973	50,156	(13,817)
Capital outlay	412,200	-	-	412,200	289,755	(122,445)
Driver training	36,150	-	-	36,150	11,683	(24,467)
Food service	418,700	-	-	418,700	343,542	(75,158)
Professional development	21,624	-	-	21,624	13,717	(7,907)
Parent education	4,406	-	-	4,406	4,406	-
Special education	954,332	-	-	954,332	917,179	(37,153)
Vocational education	257,950	-	-	257,950	223,389	(34,561)
KPERs retirement	353,851	-	-	353,851	262,186	(91,665)
Recreation	108,000	-	-	108,000	108,000	-
Recreation employee benefit and liability	19,000	-	-	19,000	19,000	-
Debt service						
Bond and interest	<u>1,038,300</u>	<u>-</u>	<u>-</u>	<u>1,038,300</u>	<u>1,000,068</u>	<u>(38,232)</u>
	<u>\$ 11,198,501</u>	<u>(22,705)</u>	<u>51,701</u>	<u>11,227,497</u>	<u>10,757,974</u>	<u>(469,523)</u>
Add expenditures of unbudgeted funds						
Special revenue					286,196	
Fiduciary					<u>155,470</u>	
Total expenditures, Statement 1					<u>\$ 11,199,640</u>	

Unified School District No. 460

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>	
GENERAL FUND				
Receipts				
Taxes				
Tax in process	\$ 16,801	39,054	28,560	10,494
Current tax	598,187	606,361	603,207	3,154
Delinquent tax	8,359	6,254	11,493	(5,239)
Mineral production tax	5	8	-	8
Other taxes	2,081	2,180	-	2,180
Other	3,040	51,701	-	51,701
Education jobs fund	-	166,939	-	166,939
ARRA stabilization aid	255,111	95,340	95,340	-
General state aid	3,840,875	3,857,520	4,044,061	(186,541)
Special education state aid	579,054	637,857	601,843	36,014
	<u>5,303,513</u>	<u>5,463,214</u>	<u>5,384,504</u>	<u>78,710</u>
Expenditures				
Instruction	2,952,292	2,884,000	2,979,012	(95,012)
Student support services	56,656	57,620	67,710	(10,090)
Instructional support services	176,990	354,156	205,033	149,123
General administration	271,590	238,462	251,900	(13,438)
School administration	430,502	426,639	462,175	(35,536)
Operations and maintenance	370,227	391,446	402,850	(11,404)
Student transportation	160,843	190,374	192,025	(1,651)
Other services	-	3,430	5,900	(2,470)
Operating transfers	912,277	867,374	817,900	49,474
Adjustment to comply with legal max	-	-	(22,705)	22,705
Legal general fund budget	5,331,377	5,413,501	5,361,800	51,701
Budget adjustments:				
Qualifying budget credits	-	-	51,701	(51,701)
Total expenditures	<u>5,331,377</u>	<u>5,413,501</u>	<u>5,413,501</u>	<u>-</u>
Receipts over (under) expenditures	(27,864)	49,713		
Unencumbered cash, beginning	<u>(445,255)</u>	<u>(473,119)</u>		
Unencumbered cash, ending	<u>\$ (473,119)</u>	<u>(423,406)</u>		

See notes to financial statements

Unified School District No. 460

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>	
SUPPLEMENTAL GENERAL FUND				
Receipts				
Taxes				
Tax in process	\$ 16,786	44,086	32,382	11,704
Current tax	675,365	702,200	751,383	(49,183)
Delinquent tax	8,233	7,197	12,967	(5,770)
Vehicle tax	88,466	95,346	98,241	(2,895)
Other taxes	2,154	1,345	-	1,345
ARRA stabilization aid	235,662	-	-	-
State aid	667,290	1,045,900	918,569	127,331
	<u>1,693,956</u>	<u>1,896,074</u>	<u>1,813,542</u>	<u>82,532</u>
Expenditures				
Instruction	115,057	84,210	84,325	(115)
Student support services	1,550	-	2,000	(2,000)
Instructional support services	328,163	249,670	339,450	(89,780)
General administration	26,505	34,894	31,000	3,894
School administration	-	-	3,502	(3,502)
Operations and maintenance	407,909	447,052	433,800	13,252
Other support services	44,918	46,652	52,250	(5,598)
Operating transfers	824,462	913,482	829,633	83,849
	<u>1,748,564</u>	<u>1,775,960</u>	<u>1,775,960</u>	<u>-</u>
Receipts over (under) expenditures	(54,608)	120,114		
Unencumbered cash, beginning	<u>(92,557)</u>	<u>(147,165)</u>		
Unencumbered cash, ending	<u>\$ (147,165)</u>	<u>(27,051)</u>		

Unified School District No. 460

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>	
AT RISK FUND (K-12)				
Receipts				
Transfers from other funds	\$ 319,756	365,000	334,600	30,400
Expenditures				
Instruction				
Salaries and benefits	150,305	166,020	172,250	(6,230)
Supplies and other	8,395	7,910	8,000	(90)
Student support services				
Salaries and benefits	146,508	151,502	149,300	2,202
Other	-	-	5,000	(5,000)
Instructional support services				
Other	-	-	15,000	(15,000)
	<u>305,208</u>	<u>325,432</u>	<u>349,550</u>	<u>(24,118)</u>
Receipts over (under) expenditures	14,548	39,568		
Unencumbered cash, beginning	<u>31,116</u>	<u>45,664</u>		
Unencumbered cash, ending	<u>\$ 45,664</u>	<u>85,232</u>		
BILINGUAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 38,745	50,000	47,000	3,000
Expenditures				
Instruction				
Salaries and benefits	29,025	48,917	59,973	(11,056)
Purchased services and supplies	365	1,239	4,000	(2,761)
	<u>29,390</u>	<u>50,156</u>	<u>63,973</u>	<u>(13,817)</u>
Receipts over (under) expenditures	9,355	(156)		
Unencumbered cash, beginning	<u>10,413</u>	<u>19,768</u>		
Unencumbered cash, ending	<u>\$ 19,768</u>	<u>19,612</u>		

Unified School District No. 460

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>	
CAPITAL OUTLAY FUND				
Receipts				
Taxes				
Tax in process	\$ 3,732	2,993	2,237	756
Current tax	45,828	-	-	-
Delinquent tax	1,888	1,086	880	206
Vehicle tax	19,986	16,274	16,362	(88)
Other taxes	145	39	-	39
Interest on idle funds	23,385	13,194	22,000	(8,806)
Insurance and other	8,954	69,916	-	69,916
Transfers from other funds	<u>206,777</u>	<u>217,374</u>	<u>100,000</u>	<u>117,374</u>
	<u>310,695</u>	<u>320,876</u>	<u>141,479</u>	<u>179,397</u>
Expenditures				
Equipment and furniture	90,706	222,322	285,700	(63,378)
Construction and remodeling	<u>62,102</u>	<u>67,433</u>	<u>126,500</u>	<u>(59,067)</u>
	<u>152,808</u>	<u>289,755</u>	<u>412,200</u>	<u>(122,445)</u>
Receipts over (under) expenditures	157,887	31,121		
Unencumbered cash, beginning	<u>329,235</u>	<u>487,122</u>		
Unencumbered cash, ending	<u>\$ 487,122</u>	<u>518,243</u>		
DRIVER TRAINING FUND				
Receipts				
State safety aid	\$ 3,600	4,736	4,480	256
Interest on idle funds	-	-	2,500	(2,500)
Other	11,636	7,235	12,100	(4,865)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
	<u>15,236</u>	<u>11,971</u>	<u>29,080</u>	<u>(17,109)</u>
Expenditures				
Instruction				
Salaries and benefits	13,705	11,170	21,650	(10,480)
Other	<u>1,881</u>	<u>513</u>	<u>14,500</u>	<u>(13,987)</u>
	<u>15,586</u>	<u>11,683</u>	<u>36,150</u>	<u>(24,467)</u>
Receipts over (under) expenditures	(350)	288		
Unencumbered cash, beginning	<u>11,591</u>	<u>11,241</u>		
Unencumbered cash, ending	<u>\$ 11,241</u>	<u>11,529</u>		

See notes to financial statements

Unified School District No. 460

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>	
FOOD SERVICE FUND				
Receipts				
Lunch and breakfast sales	\$ 194,050	194,955	201,390	(6,435)
Interest on idle funds	-	-	7,600	(7,600)
Federal aid	161,062	165,061	161,088	3,973
State aid	5,053	5,006	4,085	921
Other	-	-	3,195	(3,195)
Federal nutrition grant	2,435	-	-	-
Transfers from other funds	8,000	-	-	-
	<u>370,600</u>	<u>365,022</u>	<u>377,358</u>	<u>(12,336)</u>
Expenditures				
Food service operations				
Salaries and benefits	145,653	133,778	150,100	(16,322)
Food and supplies	221,138	209,764	258,000	(48,236)
Equipment	973	-	2,500	(2,500)
Other	2,429	-	8,100	(8,100)
	<u>370,193</u>	<u>343,542</u>	<u>418,700</u>	<u>(75,158)</u>
Receipts over (under) expenditures	407	21,480		
Unencumbered cash, beginning	41,033	41,440		
Unencumbered cash, ending	<u>\$ 41,440</u>	<u>62,920</u>		
PROFESSIONAL DEVELOPMENT FUND				
Receipts				
Transfers from other funds	\$ -	18,000	-	18,000
Expenditures				
Instructional support services				
Salaries and benefits	1,558	3,656	8,125	(4,469)
Purchased services and supplies	4,375	10,061	13,499	(3,438)
	<u>5,933</u>	<u>13,717</u>	<u>21,624</u>	<u>(7,907)</u>
Receipts over (under) expenditures	(5,933)	4,283		
Unencumbered cash, beginning	27,558	21,625		
Unencumbered cash, ending	<u>\$ 21,625</u>	<u>25,908</u>		

See notes to financial statements

Unified School District No. 460

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>	
PARENT EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 4,500	5,000	4,500	500
Expenditures				
Student support services				
Purchased services	4,406	4,406	4,406	-
Receipts over (under) expenditures	94	594		
Unencumbered cash, beginning	650	744		
Unencumbered cash, ending	\$ 744	1,338		
SPECIAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 945,300	905,482	941,433	(35,951)
Other	-	15,470	-	15,470
	945,300	920,952	941,433	(20,481)
Expenditures				
Instruction				
Payments to Coop	825,582	884,084	882,382	1,702
Student transportation				
Salaries and benefits	64,417	24,207	27,050	(2,843)
Other	13,858	8,888	44,900	(36,012)
	903,857	917,179	954,332	(37,153)
Receipts over (under) expenditures	41,443	3,773		
Unencumbered cash, beginning	222,008	263,451		
Unencumbered cash, ending	\$ 263,451	267,224		

Unified School District No. 460

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>	
VOCATIONAL EDUCATION FUND				
Receipts				
Vocational fees	\$ -	865	-	865
Transfers from other funds	197,661	220,000	210,000	10,000
	<u>197,661</u>	<u>220,865</u>	<u>210,000</u>	<u>10,865</u>
Expenditures				
Instruction				
Salaries and benefits	130,048	173,333	179,750	(6,417)
Tuition	36,242	49,533	66,000	(16,467)
Supplies	440	523	12,200	(11,677)
	<u>166,730</u>	<u>223,389</u>	<u>257,950</u>	<u>(34,561)</u>
Receipts over (under) expenditures	30,931	(2,524)		
Unencumbered cash, beginning	20,000	50,931		
Unencumbered cash, ending	<u>\$ 50,931</u>	<u>48,407</u>		
KPERS RETIREMENT FUND				
Receipts				
State aid	\$ 313,143	262,186	353,851	(91,665)
Expenditures				
Instruction	197,280	165,177	222,926	(57,749)
Student support services	12,526	10,487	14,154	(3,667)
Instructional support services	18,789	15,731	21,231	(5,500)
General administration	12,526	10,487	14,154	(3,667)
School administration	25,051	20,975	28,308	(7,333)
Other supplemental services	9,394	7,866	10,616	(2,750)
Operations and maintenance	21,920	18,353	24,770	(6,417)
Student transportation services	6,263	5,244	7,076	(1,832)
Food service operations	9,394	7,866	10,616	(2,750)
	<u>313,143</u>	<u>262,186</u>	<u>353,851</u>	<u>(91,665)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

See notes to financial statements

Unified School District No. 460

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>	
CONTINGENCY RESERVE FUND				
Receipts				
Transfers from other funds	\$ 16,000	-		
Expenditures	-	-		NOT APPLICABLE
Receipts over (under) expenditures	16,000	-		
Unencumbered cash, beginning	384,000	400,000		
Unencumbered cash, ending	<u>\$ 400,000</u>	<u>400,000</u>		
TEXTBOOK AND MATERIAL REVOLVING FUND				
Receipts				
Fees	\$ 25,340	25,660		
Expenditures				
Instruction				
Textbooks and other	10,964	22,947		NOT APPLICABLE
Receipts over (under) expenditures	14,376	2,713		
Unencumbered cash, beginning	10,391	24,767		
Unencumbered cash, ending	<u>\$ 24,767</u>	<u>27,480</u>		

Unified School District No. 460

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>	
RECREATION FUND				
Receipts				
Taxes				
Tax in process	\$ 2,007	5,533	4,069	1,464
Current tax	84,762	85,963	85,693	270
Delinquent tax	1,160	947	1,627	(680)
Vehicle tax	12,429	11,622	11,987	(365)
Other taxes	270	284	-	284
	<u>100,628</u>	<u>104,349</u>	<u>103,376</u>	<u>973</u>
Expenditures				
Appropriation to recreation commission	<u>100,628</u>	<u>108,000</u>	<u>108,000</u>	<u>-</u>
Receipts over (under) expenditures	-	(3,651)		
Unencumbered cash, beginning	<u>45,517</u>	<u>45,517</u>		
Unencumbered cash, ending	<u>\$ 45,517</u>	<u>41,866</u>		
RECREATION EMPLOYEE BENEFIT AND LIABILITY FUND				
Receipts				
Taxes				
Tax in process	\$ 516	1,079	792	287
Current tax	16,535	13,660	13,749	(89)
Delinquent tax	245	193	317	(124)
Vehicle tax	2,471	2,737	2,808	(71)
Other taxes	53	48	-	48
	<u>19,820</u>	<u>17,717</u>	<u>17,666</u>	<u>51</u>
Expenditures				
Appropriation to recreation commission	<u>19,820</u>	<u>19,000</u>	<u>19,000</u>	<u>-</u>
Receipts over (under) expenditures	-	(1,283)		
Unencumbered cash, beginning	<u>8,559</u>	<u>8,559</u>		
Unencumbered cash, ending	<u>\$ 8,559</u>	<u>7,276</u>		

Unified School District No. 460

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 <u>Total</u>	
	<u>Title I</u>	<u>ARRA Title I</u>	<u>Title II A Teacher Quality</u>	<u>Title II D Education Technology</u>		<u>Total</u>
STATE AND FEDERAL GRANTS						
Receipts						
Federal and state grants	\$ 60,471	31,627	25,933	205	118,236	93,059
Expenditures						
Salaries and benefits	61,522	30,393	13,770	-	105,685	98,598
Purchased services	-	-	12,163	205	12,368	4,048
Equipment and supplies	-	-	-	-	-	3,428
	61,522	30,393	25,933	205	118,053	106,074
Receipts over (under) expenditures	(1,051)	1,234	-	-	183	(13,015)
Unencumbered cash, beginning	1,051	-	-	-	1,051	14,066
Unencumbered cash, ending	\$ -	1,234	-	-	1,234	1,051

Legally adopted budget not applicable

See notes to financial statements

Unified School District No. 460

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>	
BOND AND INTEREST FUND				
Receipts				
Taxes				
Tax in process	\$ 14,540	33,139	24,377	8,762
Current tax	507,642	537,283	536,253	1,030
Delinquent tax	7,819	6,057	9,748	(3,691)
Vehicle tax	80,171	79,028	81,151	(2,123)
Other taxes	1,620	1,760	-	1,760
Other	-	4,307	-	4,307
State aid	405,605	404,547	404,547	-
	<u>1,017,397</u>	<u>1,066,121</u>	<u>1,056,076</u>	<u>10,045</u>
Expenditures				
Debt service				
Principal	525,000	575,000	575,000	-
Interest	489,013	423,398	462,300	(38,902)
Commissions and fees	-	1,670	1,000	670
	<u>1,014,013</u>	<u>1,000,068</u>	<u>1,038,300</u>	<u>(38,232)</u>
Receipts over (under) expenditures	3,384	66,053		
Unencumbered cash, beginning	<u>812,206</u>	<u>815,590</u>		
Unencumbered cash, ending	<u>\$ 815,590</u>	<u>881,643</u>		

Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
School Activity Funds

Year ended June 30, 2011

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
GATE RECEIPTS				
High School				
Athletics	\$ 30,306	108,525	93,135	45,696
Concessions	(4)	25,669	22,508	3,157
Musicals	6,183	3,952	5,769	4,366
Middle School				
Athletics	7,959	11,097	7,094	11,962
Totals to Statement 1	<u>\$ 44,444</u>	<u>149,243</u>	<u>128,506</u>	<u>65,181</u>
SCHOOL PROJECTS				
High School	\$ 4,155	8,971	9,238	3,888
Middle School	2,792	3,616	2,718	3,690
Grade School	6,010	5,969	4,734	7,245
Totals to Statement 1	<u>\$ 12,957</u>	<u>18,556</u>	<u>16,690</u>	<u>14,823</u>
STUDENT ORGANIZATIONS				
High School				
Class funds	\$ 502	5,057	5,003	556
Pit Stop	2,922	46,122	43,269	5,775
Other	11,160	101,517	101,753	10,924
Middle School				
Class funds	11,281	2,465	2,550	11,196
Grade School				
Class funds	1,268	309	1,342	235
Total cash basis activity	27,133	155,470	153,917	28,686
Adjustments for encumbrances and payables	<u>(27,133)</u>	<u>-</u>	<u>1,553</u>	<u>(28,686)</u>
Totals to Statement 1	<u>\$ -</u>	<u>155,470</u>	<u>155,470</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 460 is a Kansas municipality governed by an elected seven-member school board. These financial statements present only the primary government of the District.

In addition to the primary government, the Hesston 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 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 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.

Basis of Accounting

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid 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, temporary notes, and compensated absences 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 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 fiduciary funds.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above 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), 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. BUDGETARY INFORMATION (Continued)

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 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 District's general fund budget for the year ended June 30, 2011, was amended and then reduced to the "legal max" of \$5,361,800.

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. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

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

- Contingency reserve
- Textbook and material revolving
- State and federal grants
- Activity gate receipts and school projects

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 that 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. DEPOSITS AND INVESTMENTS (Continued)

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, the District's investments included only bank time deposits with a fair value of \$2,356,755 which are not subject to investment ratings.

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 \$2,400,358. The bank balance totaled \$2,801,182. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$294,462 was covered by FDIC insurance with the remaining \$2,506,720 collateralized with securities held by the pledging financial institution's 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 a financial institution:

Board Funds	
NOW account	\$ (332,465)
Money market account	2,620,533
Savings account	100
Petty cash checking	3,500
Total board funds	<u>2,291,668</u>
Activity funds	
NOW account	68,587
Demand deposits	40,103
Total activity funds	<u>108,690</u>
	<u>\$ 2,400,358</u>

Unified School District No. 460

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. GENERAL LONG-TERM DEBT

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Maturity Date	Balance 6-30-10	Additions	Retired/Refunded	Balance 6-30-11	Interest Paid
General Obligation Bonds									
School Improvement									
Series 2002	4.00 - 5.00%	06/01/02	\$ 13,700,000	09/01/2015	\$ 3,905,000	-	2,715,000	1,190,000	110,180
Series 2006, Refunding	3.50 - 4.00%	02/14/06	8,085,000	09/01/2022	7,910,000	-	55,000	7,855,000	305,390
Series 2010, Refunding	.75 - 1.60%	12/01/10	2,405,000	09/01/2015	-	2,405,000	-	2,405,000	7,828
					<u>11,815,000</u>	<u>2,405,000</u>	<u>2,770,000</u>	<u>11,450,000</u>	<u>423,398</u>
Capital Lease Obligations									
Computer hardware	1.90%	06/15/11	785,437.00	07/15/14	-	785,437	275,421	510,016	1,085
Total Long-Term Debt					<u>\$11,815,000</u>	<u>3,190,437</u>	<u>3,045,421</u>	<u>11,960,016</u>	<u>424,483</u>

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

	Year Ending June 30							Total
	2012	2013	2014	2015	2016	2017-2021	2022-2023	
Principal								
General Obligation Bonds	\$ 690,000	730,000	785,000	820,000	870,000	5,040,000	2,515,000	11,450,000
Capital Lease Obligations	166,816	169,985	173,215	-	-	-	-	510,016
Total principal	<u>856,816</u>	<u>899,985</u>	<u>958,215</u>	<u>820,000</u>	<u>870,000</u>	<u>5,040,000</u>	<u>2,515,000</u>	<u>11,960,016</u>
Interest								
General Obligation Bonds	465,616	437,910	325,889	314,952	301,244	1,017,493	102,100	2,965,204
Capital Lease Obligations	9,690	6,521	3,291	-	-	-	-	19,502
Total interest	<u>475,306</u>	<u>444,431</u>	<u>329,180</u>	<u>314,952</u>	<u>301,244</u>	<u>1,017,493</u>	<u>102,100</u>	<u>2,984,706</u>
Total principal and interest	<u>\$1,332,122</u>	<u>1,344,416</u>	<u>1,287,395</u>	<u>1,134,952</u>	<u>1,171,244</u>	<u>6,057,493</u>	<u>2,617,100</u>	<u>14,944,722</u>

Advance Refunding – In order to achieve an interest cost savings, the District issued GO refunding bonds, Series 2010. Proceeds from the issue totaling \$2,371,249 were deposited to an irrevocable escrow account to pay the callable portion of the Series 2002 GO bonds; \$2,195,000 principal, plus interest through the optional call date. The refunded debt carried interest rates ranging from 4.10% to 4.40%, and had a final maturity date in 2015. Interest rates for the Series 2010 refunding bonds carry interest rates ranging from .75% to 1.60%, and are scheduled to mature in 2015. This refunding transaction resulted in a net present value economic gain of \$53,607.

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) or by calling 1-888-275-5737.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

5. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4% to 6% 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% of covered payroll. Beginning July 1, 2011, the State contribution rate increased to 9.77%.

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

Vacation

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

Sick Leave

Classified and certified employees earn 15 days of paid sick leave each year which can be accumulated to a maximum of 45 days. Unused sick leave of up to 30 days is paid to terminating employees at the rate of \$10 per day. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

7. INTERFUND TRANSACTIONS

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

	<u>Transfers to</u>		<u>Transfers from</u>	
		<u>Total</u>	<u>General</u>	<u>Supplemental General</u>
At Risk (K-12)	\$	365,000	-	365,000
Bilingual Education		50,000	-	50,000
Capital Outlay		217,374	217,374	-
Professional Development		18,000	-	18,000
Parent Education		5,000	-	5,000
Special Education		905,482	650,000	255,482
Vocational Education		220,000	-	220,000
	\$	<u>1,780,856</u>	<u>867,374</u>	<u>913,482</u>

Unified School District No. 460

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

8. COMPLIANCE WITH KANSAS STATUTES

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

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes.

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

GENERAL	<u>Statutory Transactions</u>	<u>Budget</u>	Variance Over <u>(Under)</u>
Statutory revenues			
Taxes			
Tax in process	\$ 39,054	28,560	10,494
Current tax	608,541	603,207	5,334
Delinquent tax	6,254	11,493	(5,239)
Mineral production tax and other	8	-	8
Other	51,700	-	51,700
Education jobs fund	166,939	-	166,939
ARRA stabilization aid	95,340	95,340	-
General state aid	3,807,806	4,044,061	(236,255)
Special education state aid	<u>637,857</u>	<u>601,843</u>	<u>36,014</u>
Total statutory revenue	<u>5,413,499</u>	<u>5,384,504</u>	<u>28,995</u>
Expenditures			
Instruction	2,884,000	2,979,012	(95,012)
Student support services	57,620	67,710	(10,090)
Instructional support services	354,156	205,033	149,123
General administration	238,462	251,900	(13,438)
School administration	426,639	462,175	(35,536)
Operations and maintenance	391,446	402,850	(11,404)
Student transportation services	190,374	192,025	(1,651)
Other services	3,430	5,900	(2,470)
Operating transfers	867,374	817,900	49,474
Adjustment to comply with legal max	<u>-</u>	<u>(22,705)</u>	<u>22,705</u>
Legal general fund budget	5,413,501	5,361,800	51,701
Adjustment for qualifying budget credits	<u>-</u>	<u>51,701</u>	<u>(51,701)</u>
Total expenditures	<u>5,413,501</u>	<u>5,413,501</u>	<u>-</u>
Revenue over (under) expenditures	(2)		
Modified unencumbered cash, beginning	<u>2</u>		
Modified unencumbered cash, ending	<u>\$ -</u>		

Unified School District No. 460

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

9. 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

SUPPLEMENTAL GENERAL	<u>Statutory Transactions</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Statutory revenues			
Taxes			
Tax in process	\$ 44,086	32,382	11,704
Current tax	703,545	751,383	(47,838)
Delinquent tax	7,197	12,967	(5,770)
Vehicle tax	95,346	98,241	(2,895)
Supplemental state aid	<u>915,574</u>	<u>918,569</u>	<u>(2,995)</u>
	<u>1,765,748</u>	<u>1,813,542</u>	<u>(47,794)</u>
Expenditures			
Instruction	84,210	84,325	(115)
Student support services	-	2,000	(2,000)
Instructional support services	249,670	339,450	(89,780)
General administration	34,894	31,000	3,894
School administration	-	3,502	(3,502)
Operations and maintenance	447,052	433,800	13,252
Other support services	46,652	52,250	(5,598)
Operating transfers	<u>913,482</u>	<u>829,633</u>	<u>83,849</u>
	<u>1,775,960</u>	<u>1,775,960</u>	<u>-</u>
Revenue over (under) expenditures	(10,212)		
Modified unencumbered cash, beginning	<u>37,557</u>		
Modified unencumbered cash, ending	<u>\$ 27,345</u>		

STATE AID RECONCILIATION

	<u>General</u>	<u>Supplemental General</u>
General state aid - cash received	\$ 3,857,520	1,045,900
Less received July 2010 for year ended June 30, 2010	(473,121)	(184,722)
Add received July 2011 for year ended June 30, 2011	<u>423,407</u>	<u>54,396</u>
Statutory revenue - above	<u>\$ 3,807,806</u>	<u>915,574</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 disaster. 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 REVIEW

Management has performed an analysis of the activities and transactions subsequent to June 30, 2011, to determine the need for any adjustment 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. 460
150 N. Ridge Road
Hesston, Kansas 67062

We have audited the financial statements of Unified School District No. 460, Hesston, 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. 460 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.

Krueger, Almer & 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 ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Unified School District No. 460
150 N. Ridge Road
Hesston, KS 67062

Compliance

We have audited Unified School District No. 460, Hesston, Kansas's 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 the District's 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. 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, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Krudson, Almoe & Company, LLC

Certified Public Accountants

October 24, 2011

Unified School District No. 460

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Federal Granting Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Identifying Number</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Board of Education:				
School Breakfast Program	10.553		\$ 18,440	18,440
National School Lunch Program	10.555		146,621	146,621
Team Nutrition Training Grant	10.574		<u>1,305</u>	<u>1,305</u>
Total Department of Agriculture			<u>166,366</u>	<u>166,366</u>
<u>U.S. Department of Education</u>				
Passed through State Board of Education:				
ARRA - State Fiscal Stabilization	84.394	S394A090017	95,340	95,340
ARRA - Education Jobs Fund	84.410	S410A100017	166,939	166,939
ARRA - Title I Grants to Local Educational Agencies	84.389A	S389A090016A	31,627	30,393
Title I, Low Income	84.010		60,471	61,522
Title IIA, Improving Teacher Quality	84.367		25,933	9,923
Title IID, Education Technology	84.318		<u>205</u>	<u>205</u>
Total Department of Education			<u>380,515</u>	<u>364,322</u>
TOTAL FEDERAL AWARDS			<u>\$ 546,881</u>	<u>530,688</u>

Note 1--Basis of Presentation

The accompanying schedule of expenditures of federal awards of Unified School District No. 460, Hesston 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 major programs included:
 - Department of Education –
 - State Fiscal Stabilization - ARRA (84.394)
 - Education Jobs Fund - ARRA (84.410)
 - Title I Cluster, including regular and ARRA grants (84.010 & 84.389A)
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. 460

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2011

None