

**UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS**

For the Fiscal Year Ended June 30, 2018

Regulatory Basis Financial Statement  
Independent Auditors' Report with  
Regulatory Required Supplemental Information

**UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS**

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ALTAMONT, KANSAS**

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# Diehl Banwart Bolton

*Certified Public Accountants P.A.*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Unified School District #506  
Altamont, Kansas

We have audited the accompanying fund summary statement of receipts, expenditures, and unencumbered cash - regulatory basis, of the Unified School District #506 (the District), Altamont, Kansas as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statement.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. This includes determining the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit 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 the applicable audit requirements of the *Kansas Municipal Audit and Accounting Guide*. Those standards and the *Kansas Municipal Audit and Accounting Guide* require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the District to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2018 or changes in financial position and cash flows thereof for the fiscal year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of June 30, 2018, and the aggregate receipts and expenditures for the fiscal year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

**Report on Required Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the June 30, 2018 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances – regulatory basis (financial statement) as a whole. The summary of expenditures – actual and budget – regulatory basis, individual fund schedules of receipts and expenditures – actual and budget – regulatory basis, summary of receipts and disbursements – agency funds – regulatory basis and the schedule of receipts, expenditures, and unencumbered cash – district activity funds – regulatory basis (Schedules 1, 2, 3 and 4 as listed in the table of contents), are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

Board of Education  
Unified School District #506  
Altamont, Kansas

The prior year actual column presented in the individual fund schedules of receipts and expenditures – actual and budget – regulatory basis (Schedule 2 as listed in the table of contents), are also presented for comparative analysis and are not a required part of the prior year financial statement upon which we rendered an unqualified opinion dated February 10, 2018. The prior year financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such prior year comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the prior year financial statement. The prior year comparative information was subjected to the auditing procedures applied in the audit of the prior year statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the prior year financial statement or to the prior year financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the prior year comparative information is fairly stated in all material respects in relation to the prior year financial statement as a whole, on the basis of accounting described in Note 1.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2019 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Diehl Banwart Bolton CPAs PA*

DIEHL, BANWART, BOLTON CPAs PA

February 1, 2019  
Pittsburg, Kansas

**UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS**

Summary Statement of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Fiscal Year Ended June 30, 2018

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:						
General	\$ 1	\$ 10,934,043	\$ 10,933,190	\$ 853	\$ 74,657	\$ 75,510
Supplemental General	33,071	3,492,852	3,525,908	15	152,754	152,769
Special Purpose Funds:						
4 Yr Old At Risk	58,982	141,584	127,216	73,350	-	73,350
K-12 At Risk	2,389	1,547,611	1,550,000	-	-	-
Capital Outlay	2,034,809	1,406,458	1,024,152	2,417,114	20,118	2,437,233
Driver Education	78,873	24,345	29,613	73,605	105	73,710
Food Service	371,344	875,880	947,224	300,000	83,818	383,818
Inservice Education	76,966	47,964	44,656	80,274	5,195	85,469
Parent Education	9,946	12,578	12,578	9,946	-	9,946
Special Education	741,017	2,314,078	2,313,926	741,170	-	741,170
Vocational Education	278,637	344,454	360,474	262,617	11,811	274,428
KPERs Special Retirement	-	1,028,314	1,028,314	-	-	-
Contingency Reserve	518,193	95,207	40,207	573,193	-	573,193
Textbook Rental	201,889	32,794	17,150	217,533	1,479	219,012
Title I	-	318,091	310,588	7,503	-	7,503
Safe and Supportive Schools	11,128	-	-	11,128	-	11,128
Title II -A Teacher Quality	-	52,530	52,530	-	-	-
Title VII Indian Education	-	84,386	84,386	-	7,413	7,413
Secondary Program Improvements	11,471	13,073	11,555	12,989	-	12,989
ESSS Grant	485	-	-	485	-	485
Fast Grant	(680)	680	-	-	-	-
Save the Children	-	-	-	-	-	-
Elementary Counseling Grant	1	336,714	336,714	-	-	-
Kansas Reading Roadmap	(136,845)	607,372	616,655	(146,127)	-	(146,127)
Rural Low Income Grant	-	28,509	28,509	-	9,132	9,132
Gifts & Grants	18,339	4,400	4,491	18,248	-	18,248
District Activity Funds	2,805	107,847	102,823	7,829	2,015	9,844
Bond and Interest Fund	834,372	726,746	591,404	969,715	-	969,715
Total Entity (Excluding Agency Funds)	\$ 5,147,194	\$ 24,578,512	\$ 24,094,264	\$ 5,631,441	\$ 368,497	\$ 5,999,938

5,990,094.52

Composition of Cash

General Checking Account.....	2,987,504
Activity Checking Accounts.....	110,917
Certificates of Deposit.....	3,000,000
Total Cash	6,098,421
Agency Funds per Schedule 3	(101,073)
Total Reporting Entity	5,997,348

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

**UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS**

**NOTES TO THE FINANCIAL STATEMENT  
For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statement of Unified School District #506, Altamont, Kansas, has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from accounting policies generally accepted in the United States of America.

**Reporting Entity**

The District is a municipal corporation governed by an elected seven-member board. This financial statement presents Unified School District #506 (the primary government). The District has developed criteria to determine whether outside agencies, with activities which benefit the members of the District, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises financial accountability, selection of governing authority, designation of management, ability to significantly influence operations, scope of public service and special financing relationships. Based on the above criteria, the District has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a related municipal entity in this financial statement.

**Basis of Presentation - Fund 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 Unified School District #506:

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

**Special Purpose Fund** - to account for the proceeds of specific tax levies and other specific revenue sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.

**Trust Fund** - funds used to report assets held in trust for the benefit of the municipal financial reporting entity (ie. Pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)  
**Basis of Presentation - Fund Accounting (Continued)**

Bond and Interest Fund - to account for the accumulation of resources including tax levies, transfers from other funds and payment of general long-term debt.

Agency Funds – funds used to report assets held by the District in a purely custodial capacity.

**Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America**

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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 regulatory basis of accounting.

**Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute) and bond and interest funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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 General Fund budget was amended on April 25, 2018. The amended General Fund budget and the Supplemental General Fund budget were both reduced to the legal maximum amount based on enrollment.

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 schedules are presented for each fund in the regulatory required supplemental information showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)  
**Budgetary Information** (Continued)

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

Legal operating budgets are not required in the following special purpose funds: Contingency Reserve, Textbook Rental, Title I, Safe and Supportive Schools, Title II-A Teacher Quality, Title VII Indian Education, Secondary Program Improvement, ESSS Grant, Fast Grant, Save the Children, Elementary Counseling Grant, Kansas Reading Roadmap, Rural Low Income Grant, Gifts & Grants, or District Activity.

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

**Cash and Investments**

Cash and investments include money market checking accounts, and certificates of deposit. Kansas statutes permit investment in savings accounts, certificates of deposit, repurchase agreements, and obligations of the U.S. Treasury and the Kansas Municipal Investment Pool.

**Compensated Absences**

Full-time non-certified employees are eligible for vacation benefits ranging from 10 to 20 days a year. Employees are not allowed to accumulate and carry forward vacation benefits past their anniversary date and are not paid for them when they terminate employment.

Employees can accrue from 8 to 12 days of sick leave each year. Up to 70 days of unused sick days may be accumulated and carried over. Upon termination employees with a minimum of ten years of services with the District are paid for accumulated sick leave at the rate of \$50 per day.

The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to the employee's right to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and is material to the financial statements.

Based upon the above criteria the District has not determined a liability for vacation or sick pay.

**Property Taxes**

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Compliance with Kansas Statutes

The financial statement has been prepared in order to show compliance with the cash basis and budget laws of Kansas. The negative unencumbered cash balance in the Fast Grant and Kansas Reading Roadmap Funds is not cash basis violations as this is a reimbursement grant. There were no other apparent violations of the cash basis and budget laws of Kansas.

## 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, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

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

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2018, as detailed in the table below.

At June 30, 2018 the District's carrying amount of deposits was \$6,098,421 and the bank balance was \$6,483,329. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$5,983,329 was collateralized with securities held by the pledging financial institutions' agents in the District's name with a market value of \$6,512,938.

3. **CASH IN BANK AND DEPOSITORY SECURITY** (Continued)

**FINANCIAL INSTITUTIONS**

<b><u>RISK CATEGORIES</u></b>	<b><u>LABETTE BANK</u></b>	<b><u>COMMUNITY NATIONAL BANK</u></b>	<b><u>TOTALS</u></b>
(1) FDIC Insurance	\$ 250,000	\$ 250,000	\$ 500,000
(1) Collateralized with pledged securities held in the District's account	-	-	-
(2) Collateralized with pledged securities in Bank's account	3,233,329	2,750,000	5,983,329
(3) Uncollateralized	-	-	-
<b>TOTAL BANK BALANCES</b>	<b>\$ 3,483,329</b>	<b>\$ 3,000,000</b>	<b>\$ 6,483,329</b>
Total Pledged Securities	\$ 3,609,758	\$ 2,903,180	\$ 6,512,938

4. **IN-SUBSTANCE RECEIPT IN TRANSIT**

The District received \$944,463 subsequent to June 30, 2018, and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2018.

5. **PENSION PLAN**

**General Information about the 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. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate through March 31, 2016 with a 0% moratorium for the period of July 1, 2017 through September 30, 2017 for the Death and

5. **PENSION PLAN** (Continued)

Disability Program) was 10.81 % for the fiscal year ended June 30, 2018. Per 2016 House substitute for Senate Bill 161, Section 98(a)(1), state general fund and expanded lottery act revenue for employer contributions to KPERS were deferred. The amount deferred for school contributions was \$92,917,091.

The State of Kansas contribution to KPERS for all school municipalities for the year ending June 30, 2018, received as of June 30<sup>th</sup> was \$304,596,361. Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by \$64,130,234 for the fiscal year ended June 30, 2018. Section 43(17) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2018. The level dollar amount was computed to be \$6.4 million dollars per year.

The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled \$1,028,314 for the year ended June 30, 2018.

**Net Pension Liability**

At June 30, 2018, the District's proportionate share of the collective net pension liability reported by KPERS was \$12,474,974. The net pension liability was measured as of June 30, 2017 and the total net pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2017. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

6. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The District continues to carry commercial insurance for these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. **CONTINGENCIES**

In the normal course of operations, the District participates in various federal or state grant programs from year to year. The grant programs are often subject to additional audits by agents of the grant agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

8. **TRANSFERS**

FROM	TO	STATUTORY AUTHORITY	AMOUNT
General	Special Education	KSA 72-978	\$ 2,119,608
General	K-12 At Risk	2017 SB19	460,000
General	Contingency Reserve	2017 SB19	95,207
Supplemental General	Special Education	2017 SB19	110,000
Supplemental General	Vocational Education	2017 SB19	320,000
Supplemental General	K-12 At Risk	2017 SB19	1,087,611
Supplemental General	Parent Education	KSA 72-3607	12,578
Supplemental General	Inservice Education	KSA 72-9609	40,000
Supplemental General	4 Yr Old At Risk	2017 SB19	100,000
Contingency Reserve	Supplemental General	2017 SB19	40,207

9. **POST EMPLOYMENT BENEFITS**

Participation in Group Health Insurance Plan

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan until they reach age 65. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

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

10. **SUBSEQUENT EVENTS**

Management has evaluated events and transactions occurring subsequent to June 30, 2018 through February 1, 2019 the date the financial statements were available for issue. On July 24, 2018, the District received a grant in the amount of \$2,007,930 to build storm shelters. The grant requires a local match of \$669,310. The completion date for the grants is May 9, 2020. There were no subsequent events requiring recognition in the financial statements or disclosed in the notes to the financial statement.

11. **AMENDED BUDGET**

On April 25, 2018, the District amended the General Fund budget. Total budgeted expenditures increased by \$122,854 from \$10,716,851 to \$10,839,435. This increase was entirely in instruction expense.

12. **LONG-TERM DEBT**

Attached are schedules detailing the long-term debt and its maturity.

12. LONG TERM DEBT OBLIGATIONS (Continued)

Schedule of Changes in Long-Term Debt

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions / New Debt	Reductions / Principal Paid	Balances	
								End of Year	Interest Paid
General Obligation Refunding Bonds Series 2012	0.45-2.30%	3/1/2012	6,415,000	9/1/2025	5,275,000	-	495,000	4,780,000	96,404
Capital Leases									
Labette Bank Computer Equipment	3.80%	7/31/2010	281,573	12/31/2020	127,238	-	30,057	97,181	4,822
Labette Bank Computer Equipment	3.26%	10/4/2011	85,909	10/4/2018	26,546	-	13,060	13,486	866
					\$ 5,994,443	\$ -	\$ 538,117	\$ 4,890,667	\$ 102,092

12. **LONG TERM DEBT OBLIGATIONS** (Continued)

**Schedule of Maturities in Long-Term Debt**

Fiscal Years Ending June 30,	2019	2020	2021	2022	2023	2024- 2028	Totals
<b>PRINCIPAL</b>							
General Obligation Bonds							
Series 2012	\$515,000	\$ 535,000	\$ 555,000	\$ 580,000	\$610,000	\$1,985,000	\$ 4,780,000
Capital Leases							
Labette Bank Computer Equipment	31,196	32,378	33,606	-	-	-	97,180
Labette Bank Computer Equipment	13,486	-	-	-	-	-	13,486
Total Principal	<u>559,682</u>	<u>567,378</u>	<u>588,606</u>	<u>580,000</u>	<u>610,000</u>	<u>1,985,000</u>	<u>4,890,666</u>
<b>INTEREST</b>							
General Obligation Refunding							
Series 2012	89,834	81,944	72,396	61,753	50,142	68,281	424,350
Capital Leases							
Labette Bank Computer Equipment	3,683	2,501	1,274	-	-	-	7,458
Labette Bank Computer Equipment	440	-	-	-	-	-	440
Total Interest	<u>93,957</u>	<u>84,445</u>	<u>73,670</u>	<u>61,753</u>	<u>50,142</u>	<u>68,281</u>	<u>432,248</u>
Total Principal and Interest	<u>\$ 653,639</u>	<u>\$ 651,823</u>	<u>\$ 662,276</u>	<u>\$ 641,753</u>	<u>\$ 660,142</u>	<u>\$ 2,053,281</u>	<u>\$ 5,322,914</u>



**REGULATORY REQUIRED  
SUPPLEMENTAL INFORMATION**

Funds	Certified Budget	Adjustment to Comply with Legal Maximum	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures		Variance - Over (Under)
					Charged to Current Year Budget		
General Funds:							
General	\$ 10,839,435	\$ (188,282)	\$ 282,037	\$ 10,933,190	\$ 10,933,190	\$	-
Supplemental General	3,540,112	(14,204)	-	3,525,908	3,525,908		-
Special Purpose Funds:							
4 Yr Old At Risk	147,500	-	-	147,500	127,216		(20,284)
K-12 At Risk	1,550,000	-	-	1,550,000	1,550,000		-
Capital Outlay	1,025,000	-	-	1,025,000	1,024,152		(848)
Driver Education	29,700	-	-	29,700	29,613		(87)
Food Service	1,030,500	-	-	1,030,500	947,224		(83,276)
Inservice Education	45,000	-	-	45,000	44,656		(344)
Parent Education	37,600	-	-	37,600	12,578		(25,022)
Special Education	2,521,930	-	-	2,521,930	2,313,926		(208,004)
Vocational Education	398,500	-	-	398,500	360,474		(38,026)
KPERS Special Retirement	1,184,620	-	-	1,184,620	1,028,314		(156,306)
Bond and Interest Fund	591,414	-	-	591,414	591,404		(10)
	<u>22,941,311</u>						

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 890	\$ 853	\$ -	\$ 853
Delinquent tax	-	-	-	-
Mineral tax	947	1,204	-	1,204
Interest	-	-	-	-
Reimbursement	337,253	282,037	-	282,037
State Sources				
General aid	8,354,754	9,120,205	9,092,173	28,032
KPERS aid	686,736	-	-	-
Special education aid	1,498,937	1,529,744	1,747,262	(217,518)
Total Cash Receipts	10,879,517	10,934,043	\$ 10,839,435	\$ 94,608
Expenditures				
Instruction	4,908,927	4,704,555	\$ 4,770,135	\$ (65,580)
Support Services				
Student Support	173,171	197,059	183,000	14,059
Instructional Support	176,075	195,455	181,500	13,955
General Administration	285,091	232,761	307,500	(74,739)
School Administration	799,680	795,552	840,500	(44,948)
Operations and Maintenance	1,224,565	1,204,067	1,110,000	94,067
Transportation	740,389	854,277	776,800	77,477
Central Services	23,357	74,649	25,000	49,649
Operating transfers to Other Funds				
Special Education	1,517,322	2,119,608	1,800,000	319,608
4 Yr Old At Risk	45,000	-	45,000	(45,000)
K-12 At Risk	300,000	460,000	800,000	(340,000)
Contingency Reserve	-	95,207	-	95,207
KPERS	686,736	-	-	-
Adjustments to Budget				
Adjustment for Reimbursed Expenses	-	-	282,037	(282,037)
Adjustment for Legal Maximum	-	-	(188,282)	188,282
Total Expenditures Subject to Budget	10,880,313	10,933,190	\$ 10,933,190	\$ -
Receipts Over (Under) Expenditures	(796)	852		
Unencumbered Cash, Beginning	797	1		
Unencumbered Cash, Ending	\$ 1	\$ 853		

**UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
SUPPLEMENTAL GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 800,163	\$ 897,919	\$ 822,619	\$ 75,300
Delinquent tax	17,780	16,562	14,280	2,282
Motor vehicle tax	137,012	181,693	168,684	13,009
Reimbursements	-	-	-	-
State Sources				
Supplemental aid	2,344,656	2,356,471	2,356,471	-
Operating transfers from Other Funds				
Contingency Reserve	-	40,207	145,000	(104,793)
Total Cash Receipts	3,299,611	3,492,852	\$ 3,507,054	\$ (14,202)
Expenditures				
Instruction	585,886	564,299	\$ 826,612	\$ (262,313)
Support Services				
Student Support	47,892	134,731	60,000	74,731
Instructional Support	2	973	-	973
General Administration	114,543	81,944	125,000	(43,056)
School Administration	-	-	-	-
Operations and Maintenance	857,898	921,952	898,500	23,452
Transportation	42,802	58,567	46,000	12,567
Central Services	88,511	93,253	94,000	(747)
Operating transfers to Other Funds				
Parent Education	20,000	12,578	20,000	(7,422)
Special Education	670,015	110,000	300,000	(190,000)
Inservice Education	30,000	40,000	30,000	10,000
4 Yr Old At Risk	43,000	100,000	45,000	55,000
K-12 At Risk	570,000	1,087,611	775,000	312,611
Vocational Education	305,000	320,000	320,000	-
Adjustments to Budget				
Adjustment for Reimbursed Expenses			-	-
Adjustment for Legal Maximum			(14,204)	14,204
Total Expenditures Subject to Budget	3,375,549	3,525,908	\$ 3,525,908	\$ -
Receipts Over (Under) Expenditures	(75,938)	(33,056)		
Unencumbered Cash, Beginning	109,009	33,071		
Unencumbered Cash, Ending	\$ 33,071	\$ 15		

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
4 YR OLD AT RISK FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ 23,710	\$ 24,185	\$ -	\$ 24,185
Federal Sources				
Federal Aid	-	17,399	-	(17,399)
Operating Transfer from Other Funds				
Supplemental General	43,000	100,000	45,000	
General	45,000	-	45,000	(45,000)
Total Cash Receipts	111,710	141,584	\$ 90,000	\$ (38,214)
Expenditures				
Instruction	110,901	127,216	\$ 147,500	\$ (20,284)
Other Supplemental Services	-	-	-	-
Total Expenditures				
Subject to Budget	110,901	127,216	\$ 147,500	\$ (20,284)
Receipts Over (Under) Expenditures	809	14,368		
Unencumbered Cash, Beginning	58,173	58,982		
Unencumbered Cash, Ending	\$ 58,982	\$ 73,350		

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
K-12 AT RISK FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ 550,000	\$ (550,000)
Operating Transfer from Other Funds				
Supplemental General	570,000	1,087,611	775,000	312,611
General	300,000	460,000	800,000	(340,000)
Total Cash Receipts	870,000	1,547,611	\$ 2,125,000	\$ (577,389)
Expenditures				
Instruction	870,621	1,550,000	\$ 1,550,000	\$ -
Student Support Services	-	-	-	-
Total Expenditures				
Subject to Budget	870,621	1,550,000	\$ 1,550,000	\$ -
Receipts Over (Under) Expenditures	(621)	(2,389)		
Unencumbered Cash, Beginning	3,010	2,389		
Unencumbered Cash, Ending	\$ 2,389	\$ -		

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
CAPITAL OUTLAY FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 420,661	\$ 428,263	\$ 407,169	\$ 21,094
Delinquent tax	6,505	6,797	7,576	(779)
Motor vehicle tax	81,011	83,161	77,717	5,444
Interest on idle funds	7,748	26,355	-	26,355
Miscellaneous	26,830	576,134	-	576,134
State Sources				
State aid	268,197	285,747	285,800	(53)
Operating Transfer from Other Funds				
General	-	-	-	-
Total Cash Receipts	810,952	1,406,458	\$ 778,262	\$ 628,196
Expenditures				
Instruction	60,278	16,490	\$ 150,000	\$ (133,510)
Student Support Services	-	-	-	-
General Administration	12,510	10,575	50,000	(39,425)
School Administration	3,145	19,775	25,000	(5,225)
Operations & Maintenance	1,590	134,317	125,000	9,317
Transportation	6,540	286,981	250,000	36,981
Central Services	-	-	-	-
Facility Acquisition and Construction	530,319	556,015	425,000	131,015
Total Expenditures				
Subject to Budget	614,382	1,024,152	\$ 1,025,000	\$ (848)
Receipts Over (Under) Expenditures	196,570	382,306		
Unencumbered Cash, Beginning	1,838,239	2,034,809		
Unencumbered Cash, Ending	\$ 2,034,809	\$ 2,417,114		

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
DRIVER EDUCATION FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	\$ 9,270	\$ 14,105	\$ -	\$ 14,105
State Sources				
State aid	12,032	10,240	11,200	(960)
Operating Transfer from Other Funds				
Supplemental General	-	-	-	-
Total Cash Receipts	21,302	24,345	\$ 11,200	\$ 13,145
Expenditures				
Instruction	19,913	29,613	\$ 29,700	\$ (87)
Support Services				
Instructional Suport	-	-	-	-
Operations and Maintenance	-	-	-	-
Total Expenditures				
Subject to Budget	19,913	29,613	\$ 29,700	\$ (87)
Receipts Over (Under) Expenditures	1,389	(5,268)		
Unencumbered Cash, Beginning	77,484	78,873		
Unencumbered Cash, Ending	\$ 78,873	\$ 73,605		



UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
FOOD SERVICE FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Student Sales	\$ 217,833	\$ 219,431	\$ 221,253	\$ (1,822)
Adult Sales	15,527	15,740	56,235	(40,495)
Other	11,475	10,589	-	10,589
State Sources				
State Aid	8,609	8,568	7,097	1,471
Federal Sources				
Child Nutrition Aid	612,955	605,958	535,377	70,581
Fresh Fruits and Vegetables Grant	37,992	15,594	-	15,594
Operating Transfer from Other Funds				
General	-	-	-	-
Supplemental General	-	-	-	-
Total Cash Receipts	904,391	875,880	\$ 819,962	\$ 55,918
Expenditures				
Support Services				
Operations and Maintenance	-	-	\$ -	\$ -
Operation of Non-Instructional Services				
Food Service Operations	897,257	947,224	1,030,500	(83,276)
Total Expenditures				
Subject to Budget	897,257	947,224	\$ 1,030,500	\$ (83,276)
Receipts Over (Under) Expenditures	7,134	(71,344)		
Unencumbered Cash, Beginning	364,210	371,344		
Unencumbered Cash, Ending	\$ 371,344	\$ 300,000		

**UNIFIED SCHOOL DISTRICT #506**  
**ALTAMONT, KANSAS**  
**INSERVICE EDUCATION FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
State Sources				
State Aid	-	7,964	2,400	5,564
Operating Transfer from Other Funds				
Supplemental General	30,000	40,000	30,000	10,000
General	-	-	-	-
Total Cash Receipts	30,000	47,964	\$ 32,400	\$ 15,564
Expenditures				
Support Services				
Instructional Support Staff	27,137	44,656	\$ 45,000	\$ (344)
Central Services	-	-	-	-
Total Expenditures				
Subject to Budget	27,137	44,656	\$ 45,000	\$ (344)
Receipts Over (Under) Expenditures	2,863	3,308		
Unencumbered Cash, Beginning	74,103	76,966		
Unencumbered Cash, Ending	\$ 76,966	\$ 80,274		

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
PARENT EDUCATION FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
	Actual	Actual	Budget	
Cash Receipts				
State Sources				
State Aid	\$ -	\$ -	\$ 20,000	\$ (20,000)
Federal Sources				
Federal Aid	19,352	-	-	-
Operating Transfer from Other Funds				
Supplemental General	20,000	12,578	20,000	(7,422)
General	-	-	-	-
Total Cash Receipts	39,352	12,578	\$ 40,000	\$ (27,422)
Expenditures				
Student Support Servies	31,277	12,578	\$ 37,600	\$ (25,022)
Instructional Support Staff	-	-	-	-
Total Expenditures				
Subject to Budget	31,277	12,578	\$ 37,600	\$ (25,022)
Receipts Over (Under) Expenditures	8,075	-		
Unencumbered Cash, Beginning	1,871	9,946		
Unencumbered Cash, Ending	\$ 9,946	\$ 9,946		

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
SPECIAL EDUCATION FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	\$ 27,034	\$ 16,379	\$ -	\$ 16,379
Medicaid	73,936	58,879	-	58,879
Federal Sources				
Federal aid	-	9,212	-	9,212
Operating Transfer from Other Funds				
Supplemental General	670,015	110,000	300,000	(190,000)
General	1,517,322	2,119,608	1,800,000	319,608
Total Cash Receipts	2,288,307	2,314,078	\$ 2,100,000	\$ 214,078
Expenditures				
Instruction	2,027,529	2,054,339	\$ 2,230,230	\$ (175,891)
Support Services				
General Administration	76,281	36,248	80,600	(44,352)
Transportation	187,467	223,339	211,100	12,239
Total Expenditures				
Subject to Budget	2,291,277	2,313,926	\$ 2,521,930	\$ (208,004)
Receipts Over (Under) Expenditures	(2,970)	153		
Unencumbered Cash, Beginning	743,987	741,017		
Unencumbered Cash, Ending	\$ 741,017	\$ 741,170		

**UNIFIED SCHOOL DISTRICT #506**  
**ALTAMONT, KANSAS**  
**VOCATIONAL EDUCATION FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	\$ 18,493	\$ 24,050	\$ -	\$ 24,050
State Sources				
State aid	-	-	1,080	(1,080)
Federal Sources				
Federal aid	-	404	-	404
Operating Transfer from Other Funds				
Supplemental General	305,000	320,000	320,000	-
General	-	-	-	-
Total Cash Receipts	323,493	344,454	\$ 321,080	\$ 23,374
Expenditures				
Instruction	255,443	295,006	\$ 327,500	\$ (32,494)
Student Support Services	-	-	-	-
Operations and Maintenance	66,450	65,468	71,000	(5,532)
Total Expenditures				
Subject to Budget	321,893	360,474	\$ 398,500	\$ (38,026)
Receipts Over (Under) Expenditures	1,600	(16,020)		
Unencumbered Cash, Beginning	277,037	278,637		
Unencumbered Cash, Ending	\$ 278,637	\$ 262,617		

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
KPERS SPECIAL RETIREMENT FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
State Sources				
State Aid	\$ -	\$ 1,028,314	\$ 1,184,620	\$ (156,306)
Operating Transfers from Other Funds				
General Fund	686,736	-	-	-
Total Cash Receipts	686,736	1,028,314	\$ 1,184,620	\$ (156,306)
Expenditures				
Instruction	418,978	627,375	\$ 814,084	\$ (186,710)
Student Support	17,580	26,325	20,492	5,833
Instructional Support	17,718	26,531	19,339	7,192
General Administration	23,692	35,477	24,995	10,482
School Administration	49,582	74,244	86,003	(11,759)
Central Services	17,581	26,325	13,623	12,702
Operations and Maintenance	59,128	88,538	99,865	(11,327)
Transportation	48,415	72,496	73,796	(1,300)
Food Service	34,062	51,004	32,423	18,581
Total Expenditures				
Subject to Budget	686,736	1,028,314	\$ 1,184,620	\$ (156,306)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
CONTINGENCY RESERVE FUND

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Operating Transfer From Other Funds		
General	\$ -	\$ 95,207
Total Cash Receipts	<u>-</u>	<u>95,207</u>
Expenditures		
Instruction	-	-
Operating transfer to		
Supplemental General Fund	<u>-</u>	<u>40,207</u>
Total Expenditures	<u>-</u>	<u>40,207</u>
Receipts Over (Under) Expenditures	-	55,000
Unencumbered Cash, Beginning	<u>518,193</u>	<u>518,193</u>
Unencumbered Cash, Ending	<u>\$ 518,193</u>	<u>\$ 573,193</u>

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
TEXTBOOK RENTAL FUND

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Local Sources		
Textbook rental	\$ 34,453	\$ 32,794
Miscellaneous	-	-
Operating Transfer From Other Funds		
Supplemental General	-	-
	<u>34,453</u>	<u>32,794</u>
Total Cash Receipts		
Expenditures		
Instruction	<u>18,636</u>	<u>17,150</u>
Total Expenditures	<u>18,636</u>	<u>17,150</u>
Receipts Over (Under) Expenditures	15,817	15,644
Unencumbered Cash, Beginning	<u>186,072</u>	<u>201,889</u>
Unencumbered Cash, Ending	<u>\$ 201,889</u>	<u>\$ 217,533</u>



UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
TITLE I FUND

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ 393,607	\$ 318,091
Total Cash Receipts	393,607	318,091
Expenditures		
Instruction	325,205	310,588
General Administration	-	-
Total Expenditures	325,205	310,588
Receipts Over (Under) Expenditures	68,402	7,503
Unencumbered Cash, Beginning	(68,402)	-
Unencumbered Cash, Ending	\$ -	\$ 7,503

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
SAFE AND SUPPORTIVE SCHOOLS FUND

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures		
Instruction	6,177	-
Transportation	-	-
General Administration	-	-
Total Expenditures	6,177	-
Receipts Over (Under) Expenditures	(6,177)	-
Unencumbered Cash, Beginning	17,305	11,128
Unencumbered Cash, Ending	\$ 11,128	\$ 11,128

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
TITLE II - A TEACHER QUALITY FUND  
Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ 69,559	\$ 52,530
Total Cash Receipts	69,559	52,530
Expenditures		
Instruction	66,474	52,530
Total Expenditures	66,474	52,530
Receipts Over (Under) Expenditures	3,085	-
Unencumbered Cash, Beginning	(3,085)	-
Unencumbered Cash, Ending	\$ -	\$ -

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
TITLE VII INDIAN EDUCATION FUND

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	\$ 88,440	\$ 84,386
Local Sources		
Miscellaneous	-	-
Total Cash Receipts	88,440	84,386
Expenditures		
Instruction	88,440	84,386
Transportation	-	-
Total Expenditures	88,440	84,386
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ -

**UNIFIED SCHOOL DISTRICT #506**  
**ALTAMONT, KANSAS**  
**SECONDARY PROGRAM IMPROVEMENTS FUND**

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	\$ 10,206	\$ 3,590
Local Sources		
Miscellaneous	-	9,483
Total Cash Receipts	10,206	13,073
Expenditures		
Instructional Support	7,005	11,555
Total Expenditures	7,005	11,555
Receipts Over (Under) Expenditures	3,201	1,518
Unencumbered Cash, Beginning	8,270	11,471
Unencumbered Cash, Ending	\$ 11,471	\$ 12,989

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
ESSS GRANT FUND

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
ESSS Grant	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures		
Instruction	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	485	485
Unencumbered Cash, Ending	\$ 485	\$ 485

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
FAST GRANT FUND

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Local Sources		
Grant	\$ -	\$ 680
Total Cash Receipts	-	680
Expenditures		
Grant Expenditures	745	-
Total Expenditures	745	-
Receipts Over (Under) Expenditures	(745)	680
Unencumbered Cash, Beginning	65	(680)
Unencumbered Cash, Ending	<u>\$ (680)</u>	<u>\$ -</u>

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
SAVE THE CHILDREN FUND

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Grant	\$ -	\$ -
Miscellaneous	-	-
Total Cash Receipts	-	-
Expenditures		
Instruction	952	-
Total Expenditures	952	-
Receipts Over (Under) Expenditures	(952)	-
Unencumbered Cash, Beginning	952	-
Unencumbered Cash, Ending	\$ -	\$ -



**UNIFIED SCHOOL DISTRICT #506**  
**ALTAMONT, KANSAS**  
**ELEMENTARY COUNSELING GRANT**  
Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Grants	\$ 225,631	\$ 336,714
Other	-	-
Total Cash Receipts	225,631	336,714
Expenditures		
Grant Expenditures	243,995	336,714
Total Expenditures	243,995	336,714
Receipts Over (Under) Expenditures	(18,364)	(1)
Unencumbered Cash, Beginning	18,365	1
Unencumbered Cash, Ending	\$ 1	\$ -

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
KANSAS READING ROADMAP

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Grants	\$ 593,287	\$ 601,053
Local Sources		
Miscellaneous	-	6,319
Total Cash Receipts	593,287	607,372
Expenditures		
Grant Expenditures	695,665	616,655
Total Expenditures	695,665	616,655
Receipts Over (Under) Expenditures	(102,378)	(9,282)
Unencumbered Cash, Beginning	(34,467)	(136,845)
Unencumbered Cash, Ending	\$ (136,845)	\$ (146,127)

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
RURAL LOW INCOME GRANT FUND

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ 31,256	\$ 28,509
Total Cash Receipts	31,256	28,509
Expenditures		
Instructions	31,256	28,509
Total Expenditures	31,256	28,509
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ -

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
GIFTS AND GRANTS

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Local Sources		
Grants	\$ 20,177	\$ 4,400
Total Cash Receipts	<u>20,177</u>	<u>4,400</u>
Expenditures		
Grant Expenditures	<u>2,518</u>	<u>4,491</u>
Total Expenditures	<u>2,518</u>	<u>4,491</u>
Receipts Over (Under) Expenditures	17,659	(91)
Unencumbered Cash, Beginning	<u>680</u>	<u>18,339</u>
Unencumbered Cash, Ending	<u>\$ 18,339</u>	<u>\$ 18,248</u>

UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS  
BOND AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Fiscal Year Ended June 30, 2018  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 357,769	\$ 278,636	\$ 264,190	\$ 14,446
Delinquent tax	5,002	4,982	6,511	(1,529)
Motor vehicle tax	51,645	58,715	55,371	3,344
Interest on idle funds	-	-	-	-
State Sources				
State aid	360,926	384,413	384,419	(6)
Total Cash Receipts	775,342	726,746	\$ 710,491	\$ 16,255
Expenditures				
Debt Service				
Principal	480,000	495,000	\$ 495,000	\$ -
Interest	102,137	96,404	96,404	-
Other	-	-	10	(10)
Total Expenditures Subject to Budget	582,137	591,404	\$ 591,414	\$ (10)
Receipts Over (Under) Expenditures	193,205	135,343		
Unencumbered Cash, Beginning	641,167	834,372		
Unencumbered Cash, Ending	\$ 834,372	\$ 969,715		

**UNIFIED SCHOOL DISTRICT #506**  
**ALTAMONT, KANSAS**  
**AGENCY FUNDS**

Schedule of Receipts and Disbursements  
Regulatory Basis  
For the Fiscal Year Ended June 30, 2018

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations				
High School	\$ 64,452	\$ 242,126	\$ 233,034	\$ 73,544
Mound Valley	3,634	2,739	772	5,601
Meadow View	12,161	8,870	11,470	9,561
Altamont	10,064	4,002	8,267	5,799
Bartlett	2,069	14,221	9,722	6,568
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 92,380</u>	<u>\$ 271,958</u>	<u>\$ 263,265</u>	<u>\$ 101,073</u>

**UNIFIED SCHOOL DISTRICT #506**  
**ALTAMONT, KANSAS**  
**DISTRICT ACTIVITY FUNDS**

Schedule of Receipts, Expenditures, and Unencumbered Cash  
 Regulatory Basis

For the Fiscal Year Ended June 30, 2018

Funds	Beginning		Ending		Plus Encumbrances		Cash Balances	
	Unencumbered	Cash	Unencumbered	Cash	and Accounts	Payable	June, 30	2015
	Cash Balances	Receipts	Expenditures	Expenditures	Payable			
Gate Receipts								
High School Athletics	\$ 2,805	\$ 107,847	\$ 102,823	\$ 7,829	\$ 2,015	\$ 9,844		
Total District Activity Funds	\$ 2,805	\$ 107,847	\$ 102,823	\$ 7,829	\$ 2,015	\$ 9,844		

**UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS**

Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2018

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
<u>U.S. Department of Agriculture</u>			
Passed Through the State of Kansas			
Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	\$ 135,005	\$ 135,005
National School Lunch Program	10.555	449,908	449,908
Summer Food Service Program	10.559	21,045	21,045
		<u>605,958</u>	<u>605,958</u>
State Administrative Expenses for Child Nutrition	10.560	9,212	9,212
Fresh Fruits and Vegetables Program	10.582	15,594	15,594
Community Facilities Loans and Grants	10.776	23,600	23,600
		<u>654,364</u>	<u>654,364</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Title VII - Indian Education	84.060	84,386	84,386
Fund for Improvement of Education	84.215	336,714	336,714
Passed Through the State of Kansas			
Department of Education:			
Title I	84.010	309,392	309,392
Career and Technical Education Grants	84.048	3,994	3,994
Safe and Supportive Schools Grant	84.424	8,699	1,196
Title II Improving Teacher Quality	84.367	52,530	52,530
Rural Education	84.358	28,509	28,509
		<u>824,224</u>	<u>816,721</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through the State of Kansas			
Department of Education:			
Youth Risk Behavior Survey	93.079	745	745
477 and TANF Clusters			
Temporary Assistance to Needy Families	93.558	17,399	17,399
Passed Through Kansas Reading Roadmap			
477 and TANF Clusters			
Temporary Assistance to Needy Families	93.558	601,053	610,336
		<u>619,197</u>	<u>628,480</u>
TOTALS		<u>\$ 2,097,785</u>	<u>\$ 2,099,565</u>

Notes:

The Schedule of Expenditures of Federal Awards has been prepared in accordance with the regulatory basis of accounting as set forth in the Kansas Municipal Audit and Accounting Guide. Under the regulatory basis of accounting, revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments of the District for future payments

The District did not elect to use the 10% de minimis indirect cost rate.

Total expenditures under the 477 and TANF Clusters were \$627,735.



**UNIFIED SCHOOL DISTRICT #506**  
**ALTAMONT, KANSAS**

Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2018

Finding 2017-001 and 2016-001 Drafting Financial Statements

Condition: The District's auditors, provide significant assistance with preparing their financial statement in the regulatory basis format as well as determining which disclosures are required.

Recommendation: None

Current Status: The District continues to rely on their auditors to assist in preparing the financial statement and disclosures. The District periodically reviews the situation. The District continues to believe this is the most cost-effective way to produce their financial statement. This remains a current year audit finding.

Finding 2017-002 Controls over preparation of annual food service financial reports.

Condition: The District's Annual Financial Report in the Food Service Fund submitted to the Kansas Department of Education was not correct and required an amendment. It included wages for employees that did not perform duties in the Food Service Fund.

Current Status: The District initiated new procedures in the fiscal year ending June 30, 2018, to ensure wages were posted to the correct funds. No similar finding were noted in the June 30, 2018 audit.

# Diehl Banwart Bolton

Certified Public Accountants P.A.

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON THE AUDIT OF THE FINANCIAL STATEMENT IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education  
Unified School District #506  
Altamont, Kansas

We have audited 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 financial statement and related notes to the financial statement of Unified School District #506 as of the fiscal year ended June 30, 2018, and have issued our report thereon dated February 1, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the regulatory basis financial statement, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statement, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statement is 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 that are required to be reported under *Government Auditing Standards*.

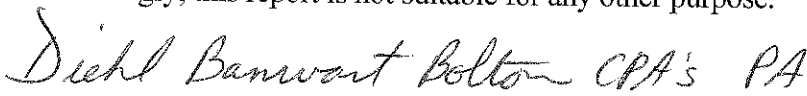
We noted certain other matters that we reported to Management of the District in a separate letter dated February 1, 2019.

**District's Response to Findings**

The District's response to the findings identified in our audit is described in the Corrective Action Plan. We did not audit the District's response and accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Diehl Banwart Bolton CPAs PA".

DIEHL, BANWART, BOLTON, CPAs PA

February 1, 2019  
Pittsburg, Kansas

# Diehl Banwart Bolton

*Certified Public Accountants PA*

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education  
Unified School District #506  
Altamont, Kansas

### **Report on Compliance for Each Major Federal Program**

We have audited the Unified School District #506's (District) compliance with the types of compliance requirements described in the *OMB 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, 2018. 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.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### **Auditors' Responsibilities**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of 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, 2018.

## **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Diehl Banwart Bolton CPAs PA*

DIEHL, BANWART, BOLTON, CPAs PA

February 1, 2019  
Pittsburg, Kansas

**UNIFIED SCHOOL DISTRICT #506  
ALTAMONT, KANSAS**

Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2018

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

**FINANCIAL STATEMENTS:**

Type of auditors' report issued:

- Adverse for departures from accounting principles generally accepted in the United States of America due to preparation of financial statements in accordance with the statutory basis of accounting.
- Unqualified opinion on the regulatory basis financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? \_ YES X NO
- Significant deficiency(ies) identified that  
are not considered to be material weaknesses? NONE  
X YES \_ REPORTED

Noncompliance material to financial statements noted? \_ YES X NO

**FEDERAL AWARDS:**

Internal control over major programs:

- Material weakness(es) identified? \_ YES X NO
- Significant deficiency (ies) identified that  
are not considered to be material weaknesses? NONE  
\_ YES X REPORTED

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

Any audit findings disclosed that are required to be reported  
in accordance with Section 510(a) of the Uniform Guidance? \_ YES X NO

**IDENTIFICATION OF MAJOR PROGRAMS:**

<u>CFDA #</u>	<u>NAME OF PROGRAM</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010	Title I

The dollar threshold to distinguish between Type A and Type B programs was \$750,000.

Auditee qualified as low-risk auditee? \_ YES X NO

## SECTION II - FINANCIAL STATEMENT FINDINGS

### Significant Deficiency

#### 2018-001 Drafting Financial Statements

Condition: As auditors, we provide significant assistance with adjusting entries, as well as assistance with determining which disclosures are required under generally accepted accounting standards and the regulatory basis of accounting. This is a repeat finding from June 30, 2017, and was identified in that report as 2017-001.

Criteria: Internal controls should be in place that provide a reasonable assurance that the financial statements are appropriate in form and contain the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they can not be considered part of the District's internal control.

Effect: The District relies on independent auditors to determine the financial statements are in the correct form and include the proper disclosures.

Recommendation: None

Response: The District agrees with the finding. The District's response is in the attached Corrective Action Plan.

## UNIFIED SCHOOL DISTRICT #506

June 30, 2018 Financial Statements

### Corrective Action Plan

#### Audit Finding 2018-001

USD #506 has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under generally accepted accounting principles and the regulatory basis of accounting. While USD #506 understands that this is a significant deficiency in our internal controls, we believe it is the most cost effective manner for us to produce our financial statements. Our accounting staff concentrate on providing the reports needed for management purposes and preparing the required reports for the Kansas Department of Education. We believe it would be inefficient and cost prohibitive for our staff to attempt to stay current on all the requirements of GAAP and the regulatory basis of accounting. We do not plan on making any changes at this time. However, we will monitor this situation and periodically determine if it is cost effective for us to perform these functions.