

MORRIS COUNTY UNIFIED SCHOOL DISTRICT NO. 417

Council Grove, Kansas

REGULATORY BASIS FINANCIAL STATEMENT
AND
INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2017

ALDRICH AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
COUNCIL GROVE, KANSAS

Morris County Unified School District No. 417
Council Grove, Kansas

REGULATORY BASIS FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 2017
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Morris County Unified School District No. 417
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Independent Auditor's Report

Board of Education
Morris County Unified School District No. 417
Council Grove, KS 66846

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Morris County Unified School District No. 417, Council Grove, Kansas, as of and for the year ended June 30, 2017 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; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. 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 and the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit includes 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 the U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, USD 417 prepared this financial statement 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 the U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the 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 Morris County Unified School District No. 417, Council Grove, Kansas, as of June 30, 2017, or the changes in its financial position or cash flows for the year then ended.

Unmodified 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 Morris County Unified School District No. 417, Council Grove, Kansas, as of June 30, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, agency funds summary of receipts and disbursements, and district activity funds schedule of receipts and expenditures (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. As part of this presentation, certain prior year comparative information has been presented for a comparative analysis and is not a part of the basic financial statement. This comparative information has been derived from the District's June 30, 2015 financial statement and, in our report dated December 9, 2016, we expressed an unmodified opinion on the financial statement and respective schedules, taken as a whole, on the regulatory basis of accounting. The June 30, 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link. <http://da.ks.gov/ar/muniserv/>. All supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare June 30, 2017 and 2016 basic financial statement. The June 30, 2017 and 2016 information has been subjected to the auditing procedures applied in the audit of the June 30, 2017 and 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2017 and 2016 information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Aldrich Company, LLC

ALDRICH AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
November 17, 2017

Morris County Unified School District No. 417
Council Grove, Kansas

Summary of Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Fiscal Year Ended June 30, 2017

	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Fund	\$ 0	\$ 0	\$ 5,518,229	\$ 5,518,229	\$ 0	\$ 64,785	\$ 64,785
Supplemental General - L.O. B.	94,701	241	1,780,118	1,830,286	44,774	126,389	171,163
Special Purpose Funds							
At Risk Four Year Old	7,562	0	70,951	70,942	7,571		7,571
At Risk (K-12)	7,501	0	614,138	614,139	7,500		7,500
Bilingual Education	7,500	0	37,206	37,168	7,538		7,538
Vocational Education	53,395	0	164,429	173,287	44,537	137	44,674
Special Education	381,637	0	1,015,649	953,026	444,260		444,260
Food Service	132,340	0	419,020	423,157	128,203	6,114	134,317
Driver Training	28,376	0	7,361	7,208	28,529		28,529
Capital Outlay	1,082,481	0	814,031	813,547	1,082,965	587,766	1,670,731
Professional Development	101,939	0	2,631	7,618	96,952	1,500	98,452
Extraordinary School Program	35,135	0	26,528	26,095	35,568		35,568
KPERS Retirement	0	0	354,152	354,152	0		0
Gifts and Grants	42,159	0	20,789	34,939	28,009	4,543	32,552
Textbook Rental	143,654	0	22,387	44,649	121,392		121,392
Contingency Reserve	213,485	0	0	0	213,485		213,485
Title I	0	0	139,779	139,779	0	1,336	1,336
Title IIA - Improving Teacher Quality	0	0	35,227	35,227	0	1,144	1,144
Rural Education	0	0	24,151	24,144	7	500	507
Kansas Reading Roadmap	(47,910)	0	233,076	217,691	(32,525)	342	(32,183)
Redemption Fund	929,724	0	1,792	130,745	800,771	87,159	887,930
District Activity Funds	43,839	0	147,958	143,295	48,502		48,502
Bond and Interest Fund							
Bond & Interest	547,872	0	655,681	658,030	545,523		545,523
Capital Project Fund							
School Improvement Fund	418	0	0	0	418		418
Trust Funds							
Private Purpose Trust Funds	11,162	0	971	0	12,133	0	12,133
Total Reporting Entity - (Excluding Agency Funds)	<u>\$ 3,816,970</u>	<u>\$ 241</u>	<u>\$ 12,106,254</u>	<u>\$ 12,257,353</u>	<u>\$ 3,666,112</u>	<u>\$ 881,715</u>	<u>\$ 4,547,827</u>

The accompanying notes are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Fiscal Year Ended June 30, 2017

Composition of Cash:

Petty Cash on Hand	\$ 200
U.S.D. 417 Checking & Savings Accounts:	
Farmers & Drovers Bank	3,095,714
Farmers State Bank	99,830
Emprise Bank	19,617
Activity Funds Checking Accounts:	
Farmers & Drovers Bank	110,851
Farmers State Bank	6,902
Certificates of Deposit:	
Farmers & Drovers Bank	<u>1,282,692</u>
Total Cash	4,615,806
Less Agency Funds per Schedule 3	<u>(67,979)</u>
Total Reporting Entity	<u>\$ 4,547,827</u>

The accompanying notes are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENT
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Unified School District No. 417 was organized in accordance with State Statutes to provide a system of public education to elementary through high school students who reside within the designated District areas. USD No. 417 is a municipal corporation governed by an elected seven-member board of education. The District's financial statement does not include any related municipal entities.

Regulatory Basis Fund Types

The accounts of the District are organized and operated on the basis of funds, which are used to record the District's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the District.

General Funds - the chief operating fund. Used to account for all financial resources except those required to be accounted for in another fund.

Special Purpose Funds – used 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.

Bond and Interest Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Capital Project Fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Trust fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (student organization accounts, etc.)

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

The Kansas Municipal Audit and Accounting Guide (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 receipts 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 accordance 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.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENT
June 30, 2017

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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), bond and interest funds and business 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 eighteen month period on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. There were no such budget amendments for this year.

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 regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as 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, trust and agency funds, and the following special purpose funds: Textbook Rental, Contingency Reserve, Federal & State Grant Funds, School Improvement Fund, Redemption Fund and District Activity Funds.

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

Property Tax Revenue

Property taxes are levied by the Kansas Counties in which the School District resides on November 1 and are payable in two installments on December 20 and May 10 of the subsequent year. The Counties collect and distribute in the succeeding year all property taxes collected for the District. The Counties collect and distribute in the succeeding year all property taxes collected for the District. The county distributes the collections for the General Fund 20 mills to the State of Kansas, who then distributes to the district.

Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of cash receipts, expenditures, and cash and unencumbered cash balances at the date of the financial statement. Accordingly, actual results could differ from those estimates.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENT

June 30, 2017

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONT)

Compliance with Finance-Related Legal and Contractual Obligations

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports, Department of Education, and interpretation by the County Attorney and legal representatives of the municipality.

Sealed bid procedures were not followed on all applicable purchases in violation of K.S.A. 72-6760.

Deposits with financial institutions were not adequately secured at all times in violation of K.S.A 9-1402.

K.S.A. 10-1113 requires that no indebtedness be created for a fund in excess of available monies in that fund. The Kansas Reading Roadmap fund carries a negative balance. However, it is allowable due to the fact that this federal grant is on a reimbursement basis and reimbursements were received in fiscal year 2018.

Management is not aware of any other statutory violations for the period covered by this audit

NOTE 3 - DEPOSITS AND INVESTMENTS

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

K.S.A. 12-1675 limits the Government'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 Government has no investment policy that would further limit its investment choices.

Concentration of credit risk -- State statutes place no limit on the amount the Government 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 Government's deposits may not be returned to it. State statutes require the Government'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%. USD 417 has not designated peak periods.

At June 30, 2017, USD 417's carrying amount of deposits was \$4,615,806 and the bank balance was \$4,823,775. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$483,483 was covered by federal depository insurance, \$3,837,976 was collateralized with securities held by the pledging financial institutions' agents in USD 417's name and \$502,316 was unsecured at June 30, 2017.

Custodial credit risk-investments-- For an investment, this is the risk that, in the event of the failure of the issuer or counter party, the Government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside part. State statutes require investments to be adequately secured.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENT

June 30, 2017

NOTE 4 - 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.* 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 or by writing to KPERS (611 S. 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 establishes 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 of 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 1.0% contribution rate through March 31, 2016 with a 0% moratorium until June 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 16.00% and 10.91%, respectively, for the fiscal year ended June 30, 2016. The actuarially determined employer contribution rate and the statutory contribution rate was 16.03% and 10.81%, respectively, for the fiscal year ended June 30, 2017. Per 2016 House Substitute for Senate Bill 161, Section 98(a)(1), state general fund and expanded lottery act revenue funds for employer contributions to KPERS were deferred. The amount deferred for school contributions was \$92,917,091.

The State of Kansas is required to contribute the statutory required employer's share except for the 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 \$354,152 for the year ended June 30, 2017.

Net Pension Liability

At June 30, 2017, the District's proportionate share of the collective net pension liability reported by KPERS was \$6,695,924. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The District's proportionate share 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, 2016. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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

NOTE 5 - OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences

U.S.D. 417's personnel earn ten days of sick leave per contract year. Any employee who completes a year with more than sixty days of accrued sick leave will be reimbursed at twenty-five dollars per day for each day in excess of sixty days. Upon separation of service, any unused sick leave is lost. Instructional personnel may take two days of personal leave per year and may accumulate up to six personal days. Provisions provide for legal leave, emergency leave, sabbatical leave, leave without pay, and professional leave. These may or may not result in a deduction in pay depending on determinations from the school board. The District also has adopted a Family Medical Leave policy.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENT
June 30, 2017

NOTE 5 - OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONT)

Compensated Absences (Cont)

Vacation pay is earned by twelve month employees as follows: first contract year = 5 days; second to tenth contract year = 10 days; eleventh to fifteenth contract year = 15 days; and sixteenth contract year and beyond = 20 days. No more than five vacations days may be carried over each year. A grandfather provision allows some employees a greater carryover. This carryover equals the amount of vacation time accumulated as of June 30, 1999 plus five days.

The District recognizes these benefits as paid; therefore no provision for accumulated leave has been in the financial statement. Compensated absence payments are made from the fund that corresponds to the employee duties.

Other Post Employment Benefits

The District provides an early retirement program as described in the District's negotiated agreement with certified personnel. As a measure of appreciation for their services, the district offers an early retirement cash benefit. This benefit is based on the retiree's salary at the time of retirement times the combined factors of age, years of experience in USD 417, and column placement on the salary schedule. The age factor provides a 5-15% benefit; the years in the district factor add between 4-15%; and the column placement factor results in a 1-5% benefit. Employees must submit a written request to the USD 417 Board of Education prior to April 1 preceding the anticipated retirement date. To correspond with KPERS retirement dates, teachers may elect June 1, July 1, August 1 or September 1 as the retirement date. The cash benefit is paid on the retirement date into an employer sponsored 403(b) account.

The District has also established an employer funded 403(b) retirement plan. Eligibility requirements and benefit amounts are described more fully in the 403(b) plan document. These benefits are financed by the District on a pay-as-you-go basis. An estimate has not been made of the total amount of post-employment benefits of the District or reported in this financial statement.

The district provides health insurance to early retirees. Those eligible include retirees less than age 60 with 10 years of continuous employment in the district and KPERS qualified 85 points for retirement. The monthly contribution amount is limited to the amount contributed to a currently employed certified teacher for membership in the district health plan. The maximum benefit is for three years. Retirees between the ages of 60 and 64 with 5 years of continuous employment in the district receive a monthly contribution amount equal to the amount contributed to a currently employed certified teacher for membership in the district health plan until the retiree reaches age 65.

The District finances these benefits on a pay-as-you-go basis. These expenditures have been included as part of the General Fund. An estimate has not been made of the total amount of post employment benefit liability of the District or reported in the financial statement.

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.

Section 125 Benefit Plan

U.S.D. 417 maintains an Internal Revenue Code Section 125 cafeteria plan. The amount of salary to be reduced shall not exceed the sum authorized by the Internal Revenue Code. Employees may select any combination of health insurance, salary protection insurance, cancer insurance, unreimbursed medical expenses, and daycare expenses as nontaxable fringe benefits

U.S.D. 417 contributes an amount equal to the annual premium of a single health insurance plan for certified instructional personnel. For all other employees, the benefit is prorated. For those employed prior to the 1993-94 school year, a cash option was available, allowing employees to receive the health benefit in cash less applicable withholding taxes and U.S.D. 417's obligation for social security, medicare, and unemployment. Current employees who drop their participation in the health plan will not be eligible for the cash option.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENT

June 30, 2017

NOTE 6 - TRANSFERS

Transfers between budgetary funds are for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenues. Operating transfers during the fiscal year ended June 30, 2017 consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Special Education	72-6478	\$653,402
General	At Risk K-12	72-6478	614,138
General	Capital Outlay	72-6478	5,000
General	Bilingual Education	72-6478	36,706
General	KPERS	72-6478	354,152
General	Extraordinary School	72-6478	2,449
Supplemental General	Special Education	72-6478	282,627
Supplemental General	Vocational Education	72-6478	153,060
Supplemental General	At Risk 4 yr old	72-6478	70,951
Supplemental General	Extraordinary School	72-6478	7,500
Supplemental General	Bilingual Education	72-6478	500

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Insurance claims have not exceeded commercial coverage for the past three years. There were no significant reductions in insurance coverage from coverage in prior years.

NOTE 8- LONG-TERM DEBT

General Obligation Bonds

On October 9, 2009, \$500,000 of General Obligation Bonds Series 2008-A were sold at an interest rate of 2.75% and maturity date of April 1, 2009. On November 12, 2009, \$8,760,000 of General Obligation Bonds Series 2008-B were sold at interest rates of 4.65% to 6% for a net interest cost of 4.90% over the life of the bonds. The Series 2008-A bond principal of \$500,000 and interest of \$1,833 were paid off with proceeds of the Series 2008-B Bonds. The remainder of the bond proceeds was used to make improvements to the existing Council Grove High School, to pay interest on the bonds during construction, and to pay for the cost of issuance of the bonds. The first interest payment for the Series 2008-B was made on March 1, 2009. The payments are made from the Bond & Interest Fund.

On May 1, 2013, the District issued \$4,085,000 of General Obligation Bonds Series 2013 at interest rates of 2.25% to 2.45%, for the purpose of advance refunding a portion of the above Series 2008-B General Obligation Bonds still outstanding. The net proceeds of the bonds of \$4,077,209 (net of reoffering premiums and underwriter discounts), along \$970,000 from the District's Redemption Fund were sent to the escrow agent, Security Bank of Kansas City. Of the \$5,047,209 sent to the escrow agent, \$4,994,244 was placed in an irrevocable escrow trust fund, assigned solely for the purpose of payment of principal on the refunded bonds and interest on the new issue through September 1, 2018. Additionally, \$49,465 was used for cost of issuance fees and \$3,500 was deposited into a compliance account. The advance refunded bonds in the amount of \$4,675,000 are considered to be defeased and are not disclosed as debt of the USD 417, other than interest payments the District will continue to make, nor is the trust considered to be an investment of the District. This refunding decreased total debt service payments by \$666,052, resulting in an economic gain (the difference between the present value of the debt service payments on the new and old debt) of \$308,511.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENT

June 30, 2017

NOTE 8- LONG-TERM DEBT (CONT)

Capital Leases Payable

One July 17, 2015, the District entered into a capital lease agreement with Farmers & Drovers Bank in the amount of \$220,000 at an interest rate of 3.5%, for the purchase of equipment and costs of remodeling the high school and elementary school buildings. The District made an initial payment on July 17, 2015 of \$26,164.65. Two more interest and principal payments of \$26,164.65 and a principal only payment of \$93,816.46 were made in fiscal year ending June 30, 2016. The district then made the final payment of \$54,439.05 on September 1, 2016 including an option to purchase of \$90. The lease agreement was to terminate in any budgeted year in which insufficient appropriated funds existed to meet the lease obligation, and the District would surrender possession of the property to the lessor. Payments on the lease were made from the Capital Outlay fund.

On July 06, 2017, the District entered into a capital lease agreement with Farmers & Drovers Bank in the amount of \$500,045 at an interest rate of 3.75%, for the costs of improvements at the high school football complex. The District made an initial payment on July 06, 2017 of \$28,492.82 with twenty more semi-annual interest and principal payments scheduled through July 6, 2027. The district then has an option to purchase of \$100, also on July 6, 2017. The lease agreement is to terminate in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the District would surrender possession of the property to the lessor. Payments on the lease will be made from the Capital Outlay fund.

Changes in long-term liabilities for the District for the year ended June 30, 2017, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Final Maturity	Bal Beg of Year	Additions	Reductions/ Payments	Net Change	Bal End of Year	Interest Paid
General Obligation Bonds:										
Series:										
2013	2.25-2.45%	5/1/13	4,085,000	9/1/28	\$ 4,085,000	\$ 0	\$ 0	\$ 0	\$ 4,085,000	\$ 0
2008-B	4.65-6%	11/12/09	8,760,000	9/1/22	2,915,000	0	285,000	0	2,630,000	373,030
Capital Lease Payable:										
F&D Bank	3.5%	7/17/15	220,000	7/9/19	54,076	0	54,076	0	0	273
Total long-term debt					\$ 7,054,076	\$ 0	\$ 339,076	\$ 0	\$ 6,715,000	\$ 373,303

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

	2018	2019	2020	2021	2022	2023-2027	2028-2029	Total
PRINCIPAL								
2013 series	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,530,000	\$ 1,555,000	\$ 4,085,000
2008 series	325,000	365,000	415,000	460,000	505,000	560,000	0	2,630,000
Capital Lease	48,071	40,416	41,946	43,495	45,180	252,866	28,071	500,045
Total Principal	373,071	405,416	456,946	503,495	550,180	3,342,866	1,583,071	7,215,045
INTEREST								
2013 series	0	47,577	95,154	95,154	95,154	366,878	38,396	738,313
2008 series	355,443	220,366	84,665	62,790	38,665	13,020	0	774,949
Capital Lease	8,914	16,569	15,039	13,490	11,805	32,065	522	98,404
	364,357	284,512	194,858	171,434	145,624	411,963	38,918	1,611,666
Total Principal and Interest	\$ 737,428	\$ 689,928	\$ 651,804	\$ 674,929	\$ 695,804	\$ 3,754,829	\$ 1,621,989	\$ 8,826,711

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENT
June 30, 2017

NOTE 9- IN-SUBSTANCE RECEIPT IN TRANSIT

The District received \$372,044 subsequent to June 30, 2017 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, 2017.

NOTE 10 – CONTINGENCIES

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

The property valuation methodology used by Morris County in valuing the Council Grove City Lake property has been appealed by a property owner for the tax years 2012 through 2017. USD 417 is not a direct party to this appeal; however the district's future tax receipts will be impacted based on the decision rendered. The Board of Tax Appeals (BOTA) ruled unfavorably on tax years 2012 and 2013. The county then appealed these to the Morris County District Court, who also ruled unfavorably. Those years were appealed to the Kansas Court of Appeals, which ruled in favor of the taxpayer for year 2012, but in favor of the county for year 2013. The Kansas Court of Appeals decision on the 2012 and 2013 tax years will be the final appeal and ruling on those years; and the county has refunded the 2012 taxes to the taxpayer after June 30, 2017. The school district's portion of the 2012 refunded tax equals \$136,776 and will be deducted from its future 2017 tax receipts. Tax years 2014 through 2017 are currently under appeal to the BOTA. The outcome of these appeals are unknown, however unfavorable judgement could, by current estimates, have a negative impact on the district of up to approximately \$685,000. The property owner paid their 2015, 2016 and 2017 taxes under protest. As allowed by law, the county is holding approximately \$351,000 of the district's 2015 and 2016 tax receipts and will also withhold the district's 2017 tax receipts until this case is resolved.

REGULATORY-REQUIRED

SUPPLEMENTARY INFORMATION

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 1

Summary of Expenditures – Actual and Budget
Regulatory Basis
(Budgeted Funds Only)
For the Fiscal Year Ended June 30, 2017

Governmental Type Funds	Certified Budget	Adjustment to Comply With Legal Max.	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund	\$ 5,625,011	\$ (125,875)	\$ 19,093	\$ 5,518,229	\$ 5,518,229	\$ 0
Supplemental General - L.O.B.	1,782,072		48,214	1,830,286	1,830,286	0
Special Purpose Funds						
At Risk Four Year Old	76,714			76,714	70,942	(5,772)
At Risk (K-12)	621,639			621,639	614,139	(7,500)
Bilingual Education	44,206			44,206	37,168	(7,038)
Vocational Education	220,440			220,440	173,287	(47,153)
Special Education	1,280,329			1,280,329	953,026	(327,303)
Food Service	631,613			631,613	423,157	(208,456)
Driver Training	36,137			36,137	7,208	(28,929)
Capital Outlay	1,747,860			1,747,860	813,547	(934,313)
Summer School	0			0	0	0
Professional Development	101,939			101,939	7,618	(94,321)
Extraordinary School Program	50,583			50,583	26,095	(24,488)
KPERS Retirement	500,600			500,600	354,152	(146,448)
Gifts and Grants	72,158			72,158	34,939	(37,219)
Bond & Interest Fund						
Bond & Interest	658,030			658,030	658,030	0

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-A

Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

GENERAL FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Local Sources				
County Taxes	\$ 139	\$ 499	\$ 150	\$ 349
Reimbursements & Miscellaneous	178,228	18,725	0	18,725
State Sources				
General State Aid & Local 20-Mill Levy	4,491,451	4,491,451	4,507,816	(16,365)
Special Education Aid	604,195	653,402	616,445	36,957
Supplemental State Aid	445,989	0	0	0
KPERS State Aid	361,819	354,152	500,600	(146,448)
Transfer from Summer School	0	0	0	0
Total Receipts	6,081,821	5,518,229	5,625,011	(106,782)
Expenditures				
Instruction	2,439,352	2,346,166	2,441,020	(94,854)
Student Support Services	141,647	175,545	177,925	(2,380)
Instruction Support Staff	167,975	126,971	188,932	(61,961)
General Administration	281,650	279,572	278,025	1,547
School Administration	438,807	425,039	424,085	954
Operations and Maintenance	57,888	59,291	50,691	8,600
Student Transportation Services	306,139	319,393	267,017	52,376
Central Services	52,021	120,405	56,351	64,054
Fund Transfers				
Bilingual Education	28,519	36,706	36,706	0
Capital Outlay	119,981	5,000	0	5,000
Special Education	604,195	653,402	616,445	36,957
Supplemental General	445,989	0	0	0
KPERS	361,819	354,152	500,600	(146,448)
Virtual Education	0	0	16,365	(16,365)
Extraordinary School Program	0	2,449	2,449	0
At Risk (K-12)	635,839	614,138	568,400	45,738
Adjustment to Comply with Legal Max	0	0	(125,875)	125,875
Legal Maximum General Fund Budget	6,081,821	5,518,229	5,499,136	19,093
Adjustment for Qualifying Budget Credits	0	0	19,093	(19,093)
Total Expenditures	6,081,821	5,518,229	\$ 5,518,229	\$ 0
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, July 1	0	0		
Unencumbered Cash, June 30	\$ 0	\$ 0		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-B

Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

SUPPLEMENTAL GENERAL – LOCAL OPTION BUDGET

	Prior Year Actual	Current Year		Variance Over (Under)
	Actual	Actual	Budget	(Under)
Receipts				
Local Sources				
County Taxes	\$ 1,256,962	\$ 1,164,663	\$ 1,124,358	\$ 40,305
Reimbursements & Miscellaneous	18,082	64,616	0	64,616
State Sources				
Supplemental State Aid	0	550,839	550,838	1
Transfer from General Fund	445,989	0	0	0
Transfer from Contingency Reserve	116,800	0	0	0
Total Receipts	<u>1,837,833</u>	<u>1,780,118</u>	<u>1,675,196</u>	<u>104,922</u>
Expenditures				
Instruction	277,812	433,544	377,542	56,002
Student Support Services	4,013	6,680	6,320	360
Instructional Support	29,913	21,104	12,000	9,104
General Administration	91,698	111,957	94,235	17,722
School Administration	15,293	6,257	9,965	(3,708)
Operations & Maintenance	674,223	605,682	636,372	(30,690)
Student Transportation	157,957	123,967	95,442	28,525
Other Supplemental Service	2,765	0	0	0
Building Improvements	0	6,457	0	6,457
Fund Transfers				
Extraordinary School Program	0	7,500	0	7,500
Vocational Education	160,000	153,060	153,060	0
At Risk 4 yr old	65,912	70,951	69,151	1,800
At Risk K-12	0	0	45,738	(45,738)
Textbooks & Materials	15,380	0	0	0
Bilingual Education	0	500	0	500
Special Education	287,106	282,627	282,247	380
Qualifying Budget Credits	<u>0</u>	<u>0</u>	<u>48,214</u>	<u>(48,214)</u>
Total Expenditures	<u>1,782,072</u>	<u>1,830,286</u>	<u>\$ 1,830,286</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	55,761	(50,168)		
Unencumbered Cash, July 1	38,940	94,701		
Cancelled Prior Year Encumbrances	<u>0</u>	<u>241</u>		
Unencumbered Cash, June 30	<u>\$ 94,701</u>	<u>\$ 44,774</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-C

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

AT RISK FOUR YEAR OLD

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Transfer from General	\$ 0	\$ 0	\$ 0	\$ 0
Transfer from Supplemental General	65,912	70,951	69,151	1,800
Total Receipts	<u>65,912</u>	<u>70,951</u>	<u>69,151</u>	<u>1,800</u>
Expenditures				
Instruction	79,327	70,942	76,714	(5,772)
Total Expenditures	<u>79,327</u>	<u>70,942</u>	<u>\$ 76,714</u>	<u>\$ (5,772)</u>
Receipts Over (Under) Expenditures	(13,415)	9		
Unencumbered Cash, July 1	20,977	7,562		
Unencumbered Cash, June 30	<u>\$ 7,562</u>	<u>\$ 7,571</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-D

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

AT RISK (K – 12)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
Transfer from General	\$ 635,839	\$ 614,138	\$ 568,400	\$ 45,738
Transfer from Supplemental General	0	0	45,738	(45,738)
Total Receipts	<u>635,839</u>	<u>614,138</u>	<u>614,138</u>	<u>0</u>
Expenditures				
Instruction	644,035	614,139	621,639	(7,500)
Total Expenditures	<u>644,035</u>	<u>614,139</u>	<u>\$ 621,639</u>	<u>\$ (7,500)</u>
Receipts Over (Under) Expenditures	(8,196)	(1)		
Unencumbered Cash, July 1	15,697	7,501		
Unencumbered Cash, June 30	<u>\$ 7,501</u>	<u>\$ 7,500</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-E

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

BILINGUAL EDUCATION

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Receipts				
Transfer from General	\$ 28,519	\$ 36,706	\$ 36,706	\$ 0
Transfer from Supplemental General	0	500	0	500
Total Receipts	<u>28,519</u>	<u>37,206</u>	<u>36,706</u>	<u>500</u>
Expenditures				
Instruction	33,172	37,168	44,206	(7,038)
Total Expenditures	<u>33,172</u>	<u>37,168</u>	<u>\$ 44,206</u>	<u>\$ (7,038)</u>
Receipts Over (Under) Expenditures	(4,653)	38		
Unencumbered Cash, July 1	12,153	7,500		
Unencumbered Cash, June 30	<u>\$ 7,500</u>	<u>\$ 7,538</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-F

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

VOCATIONAL EDUCATION FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Transfer from General	\$ 0	\$ 0	\$ 0	\$ 0
Transfer from Supplemental General	160,000	153,060	153,060	0
Other Local Revenue	0	965	3,600	(2,635)
Other State & Federal Aid	8,877	10,404	10,385	19
Total Receipts	<u>168,877</u>	<u>164,429</u>	<u>167,045</u>	<u>(2,616)</u>
Expenditures				
Instruction	161,764	157,358	200,990	(43,632)
Student Transportation	15,979	15,929	19,450	(3,521)
Total Expenditures	<u>177,743</u>	<u>173,287</u>	<u>\$ 220,440</u>	<u>\$ (47,153)</u>
Receipts Over (Under) Expenditures	(8,866)	(8,858)		
Unencumbered Cash, July 1	62,261	53,395		
Unencumbered Cash, June 30	<u>\$ 53,395</u>	<u>\$ 44,537</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-G

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

SPECIAL EDUCATION FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Transfer from General	\$ 604,195	\$ 653,402	\$ 616,445	\$ 36,957
Transfer from Supplemental General	287,106	282,627	282,247	380
Other State & Federal Aid	0	18,548	0	
Other Local Revenues & Reimbursements	12,514	61,072	0	61,072
Total Receipts	<u>903,815</u>	<u>1,015,649</u>	<u>898,692</u>	<u>98,409</u>
Expenditures				
Instruction	841,386	894,125	920,262	(26,137)
Student Transportation	21,266	56,762	55,365	1,397
Other Support Services	0	2,139	304,702	(302,563)
Total Expenditures	<u>862,652</u>	<u>953,026</u>	<u>\$ 1,280,329</u>	<u>\$ (327,303)</u>
Receipts Over (Under) Expenditures	41,163	62,623		
Unencumbered Cash, July 1	<u>340,474</u>	<u>381,637</u>		
Unencumbered Cash, June 30	<u>\$ 381,637</u>	<u>\$ 444,260</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-H

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

FOOD SERVICE FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental Receipts				
Federal Aid	\$ 230,628	\$ 230,823	\$ 257,015	\$ (26,192)
State Aid	4,205	4,209	4,928	(719)
Food Service				
Meals	175,725	180,263	236,331	(56,068)
Miscellaneous	2,158	3,725	1,000	2,725
Transfer from General	0	0	0	0
Transfer from Supplemental General	0	0	0	0
Total Receipts	<u>412,716</u>	<u>419,020</u>	<u>499,274</u>	<u>(80,254)</u>
Expenditures				
Operations & Maintenance	1,936	23,621	100,506	(76,885)
Food Service Operation	<u>387,953</u>	<u>399,536</u>	<u>531,107</u>	<u>(131,571)</u>
Total Expenditures	<u>389,889</u>	<u>423,157</u>	<u>\$ 631,613</u>	<u>\$ (208,456)</u>
Receipts Over (Under) Expenditures	22,827	(4,137)		
Unencumbered Cash, July 1	<u>109,513</u>	<u>132,340</u>		
Unencumbered Cash, June 30	<u>\$ 132,340</u>	<u>\$ 128,203</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-I

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

DRIVER TRAINING FUND

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
State Driver Training	\$ 2,176	\$ 2,944	\$ 2,160	\$ 784
Payments from Individuals	5,500	4,417	5,600	(1,183)
Transfer from General	0	0	0	0
Transfer from Supplemental General	0	0	0	0
Total Receipts	<u>7,676</u>	<u>7,361</u>	<u>7,760</u>	<u>(399)</u>
Expenditures				
Instruction	6,809	6,644	10,862	(4,218)
Vehicle Operations & Maintenance	536	564	25,275	(24,711)
Total Expenditures	<u>7,345</u>	<u>7,208</u>	<u>\$ 36,137</u>	<u>\$ (28,929)</u>
Receipts Over (Under) Expenditures	331	153		
Unencumbered Cash, July 1	28,045	28,376		
Prior Year Cancelled Encumbrances	0	0		
Unencumbered Cash, June 30	<u>\$ 28,376</u>	<u>\$ 28,529</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-K

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

CAPITAL OUTLAY

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
County Taxes	\$ 364,016	\$ 432,798	\$ 421,928	\$ 10,870
Interest on Idle Funds	9,746	7,109	5,500	1,609
Other Local Revenues	246,706	301,539	75,000	226,539
State Aid	0	67,585	67,589	(4)
Transfer from General Fund	119,981	5,000	0	5,000
Total Receipts	<u>740,449</u>	<u>814,031</u>	<u>570,017</u>	<u>244,014</u>
Expenditures				
Property, Equipment & Technology Software	72,713	68,630	668,603	(599,973)
Operations & Maintenance	12,984	0	113,554	(113,554)
Building Improvements	216,169	629,121	800,703	(171,582)
Architect & Engineering	29,777	52,933	50,000	2,933
Site Improvements	0	8,424	50,000	(41,576)
Lease Purchase Payments	172,310	54,439	65,000	(10,561)
Total Expenditures	<u>503,953</u>	<u>813,547</u>	<u>\$ 1,747,860</u>	<u>\$ (934,313)</u>
Receipts Over (Under) Expenditures	236,496	484		
Unencumbered Cash, July 1	844,560	1,082,481		
Prior Year Cancelled Encumbrances	1,425	0		
Unencumbered Cash, June 30	<u>\$ 1,082,481</u>	<u>\$ 1,082,965</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-K

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

PROFESSIONAL DEVELOPMENT

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Miscellaneous Reimbursement	\$ 0	\$ 2,631	\$ 0	\$ 2,631
Transfer from General	0	0	0	0
Transfer from Supplemental General	0	0	0	0
Total Receipts	0	2,631	0	2,631
Expenditures				
Instruction	4,859	6,614	101,939	(95,325)
Other Support Services	0	1,004	0	1,004
Total Expenditures	4,859	7,618	\$ 101,939	\$ (94,321)
Receipts Over (Under) Expenditures	(4,859)	(4,987)		
Unencumbered Cash, July 1	106,798	101,939		
Prior Year Cancelled Encumbrances	0	0		
Unencumbered Cash, June 30	\$ 101,939	\$ 96,952		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-L

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

EXTRAORDINARY SCHOOL PROGRAM

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Enrollment Fees	\$ 17,366	\$ 14,795	\$ 13,000	\$ 1,795
Reimbursements	0	684	0	684
Grants & Donations	5,500	1,100	0	1,100
Transfer from General	0	2,449	2,449	0
Transfer grant from Supplemental General	0	7,500	0	7,500
Total Receipts	<u>22,866</u>	<u>26,528</u>	<u>15,449</u>	<u>11,079</u>
Expenditures				
Instruction	<u>19,227</u>	<u>26,095</u>	<u>50,583</u>	<u>(24,488)</u>
Total Expenditures	<u>19,227</u>	<u>26,095</u>	<u>\$ 50,583</u>	<u>\$ (24,488)</u>
Receipts Over (Under) Expenditures	3,639	433		
Unencumbered Cash, July 1	<u>31,496</u>	<u>35,135</u>		
Unencumbered Cash, June 30	<u>\$ 35,135</u>	<u>\$ 35,568</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-M

Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

KPERS RETIREMENT

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
Transfer from General Fund	\$ 361,819	\$ 354,152	\$ 500,600	\$ (146,448)
Other	0	0	0	0
Total Receipts	<u>361,819</u>	<u>354,152</u>	<u>500,600</u>	<u>(146,448)</u>
Expenditures				
KPERS Retirement Contribution	361,819	354,152	500,600	(146,448)
Total Expenditures	<u>361,819</u>	<u>354,152</u>	<u>\$ 500,600</u>	<u>\$ (146,448)</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, July 1	<u>0</u>	<u>0</u>		
Unencumbered Cash, June 30	<u>\$ 0</u>	<u>\$ 0</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-N

Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

GIFTS AND GRANTS

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
Contributions & Donations	\$ 28,297	\$ 20,789	\$ 30,000	\$ (9,211)
Total Receipts	<u>28,297</u>	<u>20,789</u>	<u>30,000</u>	<u>(9,211)</u>
Expenditures				
Purchased Prof & Tech Services	1,750	19,270	72,158	(52,888)
Other Purchases Services	79,927	8,417	0	8,417
Supplies	10,022	4,068	0	4,068
Property	0	0	0	0
Other	800	3,184	0	3,184
Total Expenditures	<u>92,499</u>	<u>34,939</u>	<u>\$ 72,158</u>	<u>\$ (37,219)</u>
Receipts Over (Under) Expenditures	(64,202)	(14,150)		
Unencumbered Cash, July 1	<u>106,361</u>	<u>42,159</u>		
Unencumbered Cash, June 30	<u>\$ 42,159</u>	<u>\$ 28,009</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-O

Schedule of Receipts and Expenditures
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

TEXTBOOK RENTAL FUND

	Prior Year Actual	Current Year Actual
Receipts		
Student Receipts	\$ 21,871	\$ 22,387
Transfer from General	0	0
Transfer from Supp General	15,380	0
Total Receipts	<u>37,251</u>	<u>22,387</u>
Expenditures		
Textbooks & Materials	3,878	44,649
Other	0	0
Total Expenditures	<u>3,878</u>	<u>44,649</u>
Receipts Over (Under) Expenditures	33,373	(22,262)
Unencumbered Cash, July 1	110,281	143,654
Prior Year Cancelled Encumbrances	0	0
Unencumbered Cash, June 30	<u>\$ 143,654</u>	<u>\$ 121,392</u>

CONTINGENCY RESERVE

	Prior Year Actual	Current Year Actual
Receipts		
Transfer from General	\$ 0	\$ 0
Total Receipts	<u>0</u>	<u>0</u>
Expenditures		
Transfer to Supplemental General	116,800	0
Total Expenditures	<u>116,800</u>	<u>0</u>
Receipts Over (Under) Expenditures	(116,800)	0
Unencumbered Cash, July 1	330,285	213,485
Unencumbered Cash, June 30	<u>\$ 213,485</u>	<u>\$ 213,485</u>

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-P

Schedule of Receipts and Expenditures
Regulatory Basis
For the Fiscal Year Ended June 30, 2017

FEDERAL GRANTS

	Title I	Title II A Teacher Quality	Rural Education	Kansas Reading Roadmap
Receipts				
Intergovernmental	\$ 139,779	\$ 35,227	\$ 24,151	\$ 233,076
Other	0	0	0	0
Total Receipts	139,779	35,227	24,151	233,076
Expenditures				
Instruction	139,779	35,227	24,144	175,744
Transportation	0	0	0	41,947
Total Expenditures	139,779	35,227	24,144	217,691
Receipts Over (Under) Expenditures	0	0	7	15,385
Unencumbered Cash, July 1	0	0	0	(47,910)
Prior Year Cancelled Encumbrances	0	0	0	0
Unencumbered Cash, June 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7</u>	<u>\$ (32,525)</u>

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-Q

Schedule of Receipts and Expenditures
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

REDEMPTION FUND

	Prior Year Actual	Current Year Actual
Receipts		
Investment Income	\$ 1,793	\$ 1,792
Reimbursements	0	0
Total Receipts	<u>1,793</u>	<u>1,792</u>
Expenditures		
Building Improvements	0	130,745
Transfer to Bond & Interest Fund	0	0
Total Expenditures	<u>0</u>	<u>130,745</u>
Receipts Over (Under) Expenditures	1,793	(128,953)
Unencumbered Cash, July 1	<u>927,931</u>	<u>929,724</u>
Unencumbered Cash, June 30	<u><u>\$ 929,724</u></u>	<u><u>\$ 800,771</u></u>

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-R

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

BOND AND INTEREST FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
County Taxes	\$ 578,406	\$ 550,396	\$ 543,785	\$ 6,611
Intergovernmental				
State Aid	111,284	105,285	105,285	0
Transfer from Redemption Fund	0	0	0	0
Transfer from Improvement Fund	0	0	0	0
Total Receipts	<u>689,690</u>	<u>655,681</u>	<u>649,070</u>	<u>6,611</u>
Expenditures				
Principal	250,000	285,000	285,000	0
Interest	387,743	373,030	373,030	0
Commission & Postage	0	0	0	0
Total Expenditures	<u>637,743</u>	<u>658,030</u>	<u>\$ 658,030</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	51,947	(2,349)		
Unencumbered Cash, July 1	<u>495,925</u>	<u>547,872</u>		
Unencumbered Cash, June 30	<u>\$ 547,872</u>	<u>\$ 545,523</u>		

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-S

Schedule of Receipts and Expenditures
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

SCHOOL IMPROVEMENT FUND

	Prior Year Actual	Current Year Actual
Receipts		
Bond Proceeds	\$ 0	\$ 0
Investment Income	0	0
Total Receipts	<u>0</u>	<u>0</u>
Expenditures		
Project Expense	0	0
Transfer to Bond & Interest Fund	0	0
Transfer to Redemption Fund	0	0
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, July 1	<u>418</u>	<u>418</u>
Unencumbered Cash, June 30	<u>\$ 418</u>	<u>\$ 418</u>

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 2-T

Schedule of Receipts and Expenditures
Regulatory Basis
For the Fiscal Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

PRIVATE PURPOSE TRUST FUNDS

	Prior Year Actual	Current Year Actual
Receipts		
Donations & Memorials	\$ 2,014	\$ 971
Expenditures		
Student Activities	<u>1,321</u>	<u>0</u>
Receipts Over (Under) Expenditures	693	971
Unencumbered Cash, July 1	<u>10,469</u>	<u>11,162</u>
Unencumbered Cash, June 30	<u>\$ 11,162</u>	<u>\$ 12,133</u>

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 3

Summary of Receipts and Disbursements
Regulatory Basis
For the Fiscal Year Ended June 30, 2017

AGENCY FUNDS

	Cash Balance 7/1/2016	Receipts	Disbursements	Cash Balance 6/30/2017
Student Organization Accounts				
Council Grove Elementary School				
K-6th Grade	\$ 0	\$ 1,843	\$ 1,843	\$ 0
Band	501	254	217	538
Honor Choir	59	1,198	1,177	80
P.T.O. Student Assistance	6,064	2,402	2,686	5,780
Council Grove Jr/Sr High School				
Seniors	1,013	2,551	874	2,690
Juniors	529	3,999	3,966	562
Sophomores	327	300	389	238
Freshman	23	1,927	0	1,950
8th Grade	1,285	777	2,062	0
7th Grade	0	0	0	0
Band	1,388	2,096	1,689	1,795
F.F.A.	11,893	19,602	25,274	6,221
F.C.A.	893	105	339	659
Keys	2,727	2,747	1,429	4,045
C.G. Club	258	0	258	0
F.B.L.A.	5,054	12,481	15,238	2,297
F.C.C.L.A.	54	6,565	4,927	1,692
Garden Growers Club	210	641	680	171
Art Club	735	503	422	816
World Language Club	1,892	2,107	3,456	543
Student Senate	685	2,246	2,245	686
Jr High Student Senate	78	155	161	72
Key Club	1,742	517	426	1,833
Technology Club	102	0	0	102
Robotics	1,156	184	389	951
Yearbook (Annual)	4,921	9,457	4,228	10,150
Trail Blazer	248	930	549	629
Cheerleaders	1,655	10,458	11,950	163
Jr High Cheerleaders	194	11,231	6,189	5,236
National Honor Society	14	845	624	235
Bravettes	4,771	8,310	7,565	5,516
Prairie Production	196	0	0	196
Scholars Bowl	1,070	1,815	2,280	605
Jr High Quiz Bowl	3	0	0	3
Brave Voices	0	0	0	0
CG Players	5,787	3,371	3,999	5,159
Total Forward	\$ 57,527	\$ 113,460	\$ 109,374	\$ 61,613

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 3 (Cont.)

Summary of Receipts and Disbursements
Regulatory Basis
For the Fiscal Year Ended June 30, 2017

AGENCY FUNDS

	Cash Balance 7/1/2016	Receipts	Disbursements	Cash Balance 6/30/2017
Total Brought Forward	\$ 57,527	\$ 113,460	\$ 109,374	\$ 61,613
Prairie Heights Elementary School				
Pep Club	355	0	0	355
Classes	974	836	960	850
Band	1,040	34	0	1,074
Student Council	4,019	0	0	4,019
Total Student Organization Funds	<u>\$ 63,915</u>	<u>\$ 114,330</u>	<u>\$ 110,334</u>	<u>\$ 67,911</u>
Clearing Funds				
Council Grove Elementary School	\$ 57	\$ 11	\$ 0	\$ 68
Council Grove High School	0	6,356	6,356	0
Prairie Heights Elementary School	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Clearing Funds	<u>\$ 57</u>	<u>\$ 6,367</u>	<u>\$ 6,356</u>	<u>\$ 68</u>
Total Agency Funds	<u>\$ 63,972</u>	<u>\$ 120,697</u>	<u>\$ 116,690</u>	<u>\$ 67,979</u>

See Accompanying Auditors' Report.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule 4

Schedule of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Fiscal Year Ended June 30, 2017

DISTRICT ACTIVITY FUNDS

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts						
CGHS/JH Student Athletics	\$ 34,883	\$ 147,788	\$ 137,228	\$ 45,443	\$ 0	\$ 45,443
PHMS Student Athletics	5,747	70	5,817	0	0	0
Total Gate Receipts	<u>40,630</u>	<u>147,858</u>	<u>143,045</u>	<u>45,443</u>	<u>0</u>	<u>45,443</u>
School Projects						
Council Grove Elem School						
Bullying Prevention	3,209	100	250	3,059	0	3,059
Total School Projects	<u>3,209</u>	<u>100</u>	<u>250</u>	<u>3,059</u>	<u>0</u>	<u>3,059</u>
Total District Activity Funds	<u>\$ 43,839</u>	<u>\$ 147,958</u>	<u>\$ 143,295</u>	<u>\$ 48,502</u>	<u>\$ 0</u>	<u>\$ 48,502</u>

See Accompanying Auditors' Report.