

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE,  
ELWOOD, KANSAS

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FINANCIAL STATEMENTS  
(with Independent Auditors' Report thereon)

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For the Year Ended June 30, 2011

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UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 FINANCIAL STATEMENTS  
 Year ended June 30, 2011

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# *Kramer & Associates CPAs, LLC*

*Making the right move for your business*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Unified School District No. 114, Riverside  
Elwood, Kansas

We have audited the accompanying financial statements as listed in Table of Contents of Unified School District No. 114, Riverside, Elwood, Kansas, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, Unified School District No. 114, Riverside, Elwood, Kansas, prepares its financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 114, Riverside, Elwood, Kansas or the changes in its financial position for the year ended June 30, 2011.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 114, Riverside, Elwood, Kansas, as of June 30, 2011, and its cash receipts and expenditures, and budgetary comparisons, taken as a whole, for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, on the basis of accounting described in Note 1, in relation to the financial statements as a whole.

This report is intended solely for the information of the Board of Education and committees thereto, management, others within the entity, U.S. Department of Education, U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Kramer & Associates CPAs, L.L.C.*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
November 14, 2011

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
Year ended June 30, 2011

Funds	Beginning unencumbered cash balance	Prior year canceled encumbrances	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
<b>Governmental type funds:</b>							
General fund	\$ (485,746)	\$ -	\$ 5,787,462	\$ 5,711,853	\$ (410,137)	\$ 20,483	\$ (389,654)
Supplemental general	(92,621)	-	1,126,396	1,036,500	(2,725)	-	(2,725)
Special revenue funds:							
At risk (4 year olds)	-	-	27,433	27,433	-	-	-
At risk (K-12)	-	-	546,706	546,706	-	-	-
Capital outlay	573,578	-	368,936	446,497	496,017	25,251	521,268
Driver training	5,791	-	3,803	9,294	300	-	300
Food service	69,716	-	439,322	447,749	61,289	-	61,289
Professional development	12,820	-	-	-	12,820	-	12,820
Special education	112,367	-	880,072	893,214	99,225	-	99,225
Vocational education	-	-	125,000	125,000	-	-	-
KPERS special retirement contributions	-	-	261,207	261,207	-	-	-
Contingency reserve	357,413	-	-	-	357,413	-	357,413
Textbook rental	27,211	-	18,799	6,697	39,313	-	39,313
Federal funds	500	-	191,072	191,572	-	1,456	1,456
Grant funds	144,111	-	7,948	6,188	145,871	-	145,871
Elwood recreation commission	-	-	13,262	13,262	-	-	-
Wathena recreation commission	-	-	61,688	55,725	5,963	-	5,963
Gate receipts	13,068	-	70,023	72,510	10,581	-	10,581
School projects	22,486	-	41,048	40,305	23,229	-	23,229
Debt service fund:							
Bond and interest	273,818	-	157,612	171,591	259,839	-	259,839
Component unit:							
Wathena Joint Recreation Commission	32,671	-	143,764	138,785	37,650	-	37,650
Total reporting entity	\$ 1,067,183	\$ -	\$ 10,271,553	\$ 10,202,088	\$ 1,136,648	\$ 47,190	\$ 1,183,838
(excluding agency fund)							
Composition of cash:							
Checking							\$ (63,593)
Checking - activity accounts							73,413
Petty cash							1,500
Certificates of deposit							1,174,471
Component unit							37,650
Total cash							1,223,441
Less agency funds							(39,603)
Total reporting entity (excluding agency funds)							\$ 1,183,838

The accompanying notes are an integral part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
 Year ended June 30, 2011

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)
Governmental type funds:						
General fund	\$ 5,735,956	\$ (130,497)	\$ 106,419	\$ 5,711,878	\$ 5,711,853	\$ 25
Supplemental general	\$ 1,036,500	\$ -	\$ -	\$ 1,036,500	\$ 1,036,500	\$ -
Special revenue funds:						
At risk (4 year olds)	\$ 35,000	\$ -	\$ -	\$ 35,000	\$ 27,433	\$ 7,567
At risk (K-12)	\$ 546,706	\$ -	\$ -	\$ 546,706	\$ 546,706	\$ -
Capital Outlay	\$ 718,378	\$ -	\$ -	\$ 718,378	\$ 446,497	\$ 271,881
Driver training	\$ 14,592	\$ -	\$ -	\$ 14,592	\$ 9,294	\$ 5,298
Food service	\$ 582,877	\$ -	\$ -	\$ 582,877	\$ 447,749	\$ 135,128
Professional development	\$ 12,820	\$ -	\$ -	\$ 12,820	\$ -	\$ 12,820
Special education	\$ 1,171,367	\$ -	\$ -	\$ 1,171,367	\$ 893,214	\$ 278,153
Vocational education	\$ 125,000	\$ -	\$ -	\$ 125,000	\$ 125,000	\$ -
KPERs special retirement contributions	\$ 345,513	\$ -	\$ -	\$ 345,513	\$ 261,207	\$ 84,306
Federal funds	\$ 284,205	\$ -	\$ -	\$ 284,205	\$ 191,572	\$ 92,633
Elwood recreation commission	\$ 13,460	\$ -	\$ -	\$ 13,460	\$ 13,262	\$ 198
Wathena recreation commission	\$ 56,600	\$ -	\$ -	\$ 56,600	\$ 55,725	\$ 875
Debt service fund:						
Bond and interest	\$ 171,641	\$ -	\$ -	\$ 171,641	\$ 171,591	\$ 50

The accompanying notes are an integral part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 GENERAL FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
<b>Cash receipts:</b>			
Taxes and shared revenue:			
Ad valorem property - taxes in process	\$ 24,206	\$ 21,933	\$ 2,273
Ad valorem property - current taxes	530,708	538,855	(8,147)
Delinquent	25,685	16,757	8,928
State aid:			
Equalization aid	4,177,277	4,278,505	(101,228)
Special education services	649,434	779,000	(129,566)
Federal aid:			
ARRA stabilization	99,503	99,503	-
Education jobs fund	174,230	-	174,230
Reimbursed expenses	106,419	-	106,419
Total cash receipts	<u>5,787,462</u>	<u>\$ 5,734,553</u>	<u>\$ 52,909</u>
<b>Expenditures and transfers subject to budget:</b>			
Instruction	2,196,530	\$ 2,473,500	\$ 276,970
Student support services	188,247	110,300	(77,947)
Instructional support staff	161,583	219,750	58,167
General administration	308,227	260,500	(47,727)
School administration	537,180	490,600	(46,580)
Central services	101,699	77,400	(24,299)
Operations and maintenance	639,379	551,700	(87,679)
Student transportation services	109,433	116,500	7,067
Transfers out	1,469,575	1,435,706	(33,869)
Adjustment to comply with legal max	-	(130,497)	(130,497)
Legal general fund budget	5,711,853	5,605,459	(106,394)
Adjustment for qualifying budget credits:			
Reimbursements	-	106,419	106,419
Total expenditures and transfers subject to budget	<u>5,711,853</u>	<u>\$ 5,711,878</u>	<u>\$ 25</u>
Receipts over (under) expenditures	75,609		
Unencumbered cash, beginning of year	<u>(485,746)</u>		
Unencumbered cash, end of year	<u>\$ (410,137)</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SUPPLEMENTAL GENERAL FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes and shared revenue:			
Ad valorem property - taxes in process	\$ 18,475	\$ 17,653	\$ 822
Ad valorem property - current taxes	369,364	350,469	18,895
Delinquent	23,348	13,013	10,335
Motor vehicle	41,166	44,713	(3,547)
Recreational vehicle	719	636	83
State aid:			
Equalization aid	673,324	592,936	80,388
Total cash receipts	<u>1,126,396</u>	<u>\$ 1,019,420</u>	<u>\$ 106,976</u>
Expenditures and transfers subject to budget:			
Instruction	468,834	\$ 401,400	\$ (67,434)
Student support services	3,000	7,000	4,000
Instructional support staff	2,000	2,500	500
General administration	10,500	10,500	-
Operations and maintenance	84,166	80,100	(4,066)
Transfers out	468,000	535,000	67,000
Adjustment to comply with legal max	-	-	-
Legal supplemental general fund budget	1,036,500	1,036,500	-
Adjustment for qualifying budget credits:			
Reimbursements	-	-	-
Total expenditures and transfers subject to budget	<u>1,036,500</u>	<u>\$ 1,036,500</u>	<u>\$ -</u>
Receipts over (under) expenditures	89,896		
Unencumbered cash, beginning of year	<u>(92,621)</u>		
Unencumbered cash, end of year	<u>\$ (2,725)</u>		

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part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 AT RISK (4 YEAR OLDS) FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Transfers in:			
General fund	\$ 27,433	\$ 35,000	\$ (7,567)
Total cash receipts	<u>27,433</u>	<u>\$ 35,000</u>	<u>\$ (7,567)</u>
Expenditures subject to budget:			
Instruction	27,433	\$ 35,000	\$ 7,567
Adjustment for qualifying budget credits	-	-	-
Total expenditures subject to budget	<u>27,433</u>	<u>\$ 35,000</u>	<u>\$ 7,567</u>
Receipts over (under) expenditures	-		
Unencumbered cash, beginning of year	-		
Unencumbered cash, end of year	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 AT RISK (K-12) FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Transfers in:			
General fund	\$ 416,706	\$ 416,706	\$ -
Supplemental general fund	130,000	130,000	-
Total cash receipts	<u>546,706</u>	<u>\$ 546,706</u>	<u>\$ -</u>
Expenditures subject to budget:			
Instruction	546,706	\$ 480,041	\$ (66,665)
Student support services	-	8,410	8,410
Instructional support staff	-	15,225	15,225
School administration	-	43,030	43,030
Adjustment for qualifying budget credits	-	-	-
Total expenditures subject to budget	<u>546,706</u>	<u>\$ 546,706</u>	<u>\$ -</u>
Receipts over (under) expenditures	-		
Unencumbered cash, beginning of year	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 CAPITAL OUTLAY FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
<b>Cash receipts:</b>			
<b>Taxes and shared revenue:</b>			
Ad valorem property - taxes in process	\$ (2)	\$ -	\$ (2)
Ad valorem property - current taxes	229	-	229
Delinquent	86	-	86
Motor vehicle	1,056	-	1,056
Recreational vehicle	12	-	12
Investment income	24,844	30,000	(5,156)
Other revenue from local sources	72,320	15,000	57,320
<b>Transfers in:</b>			
General fund	270,391	100,000	170,391
<b>Total cash receipts</b>	<b>368,936</b>	<b>\$ 145,000</b>	<b>\$ 223,936</b>
<b>Expenditures subject to budget:</b>			
Instruction	9,659	\$ 95,000	\$ 85,341
Student support services	-	50,000	50,000
Instructional support staff	9,317	50,000	40,683
General administration	2,219	50,000	47,781
School administration	-	50,000	50,000
Central services	-	50,000	50,000
Operations and maintenance	76,222	50,000	(26,222)
Student transportation services	84,904	22,000	(62,904)
Other support services	2,050	20,000	17,950
Facilities acquisition and construction	199,876	217,378	17,502
Principal	60,000	60,000	-
Interest	2,250	4,000	1,750
Adjustment for qualifying budget credits	-	-	-
<b>Total expenditures subject to budget</b>	<b>446,497</b>	<b>\$ 718,378</b>	<b>\$ 271,881</b>
Receipts over (under) expenditures	(77,561)		
Unencumbered cash, beginning of year	573,578		
Unencumbered cash, end of year	<u>\$ 496,017</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 DRIVER TRAINING FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
State aid:			
Driver training	\$ 2,442	\$ 2,800	\$ (358)
Other revenue from local sources	750	1,000	(250)
Transfers in:			
General fund	611	5,000	(4,389)
Total cash receipts	<u>3,803</u>	<u>\$ 8,800</u>	<u>\$ (4,997)</u>
Expenditures subject to budget:			
Instruction	9,114	\$ 11,642	\$ 2,528
School administration	180	-	(180)
Operations and maintenance	-	2,950	2,950
Adjustment for qualifying budget credits	-	-	-
Total expenditures subject to budget	<u>9,294</u>	<u>\$ 14,592</u>	<u>\$ 5,298</u>
Receipts over (under) expenditures	(5,491)		
Unencumbered cash, beginning of year	<u>5,791</u>		
Unencumbered cash, end of year	<u>\$ 300</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 FOOD SERVICE FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Federal aid:			
National school lunch/breakfast program	\$ 235,346	\$ 222,453	\$ 12,893
State aid:			
School food assistance	4,161	4,005	156
Charge for services	107,589	171,704	(64,115)
Miscellaneous	2,226	10,000	(7,774)
Transfers in:			
General fund	-	-	-
Supplemental general fund	90,000	105,000	(15,000)
Total cash receipts	<u>439,322</u>	<u>\$ 513,162</u>	<u>\$ (73,840)</u>
Expenditures subject to budget:			
Operations and maintenance	-	\$ 570	\$ 570
Food service operations	447,749	582,307	134,558
Adjustment for qualifying budget credits	-	-	-
Total expenditures subject to budget	<u>447,749</u>	<u>\$ 582,877</u>	<u>\$ 135,128</u>
Receipts over (under) expenditures	(8,427)		
Unencumbered cash, beginning of year	<u>69,716</u>		
Unencumbered cash, end of year	<u>\$ 61,289</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 PROFESSIONAL DEVELOPMENT FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
State aid:			
Inservice aid	\$ -	\$ -	\$ -
Total cash receipts	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures subject to budget:			
Instructional support staff	-	\$ 12,820	\$ 12,820
Adjustment for qualifying budget credits	-	-	-
Total expenditures subject to budget	<u>-</u>	<u>\$ 12,820</u>	<u>\$ 12,820</u>
Receipts over (under) expenditures	-		
Unencumbered cash, beginning of year	<u>12,820</u>		
Unencumbered cash, end of year	<u>\$ 12,820</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SPECIAL EDUCATION FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Other revenue from local sources	\$ 2,638	\$ -	\$ 2,638
Transfers in:			
General fund	649,434	779,000	(129,566)
Supplemental general fund	228,000	280,000	(52,000)
Total cash receipts	<u>880,072</u>	<u>\$ 1,059,000</u>	<u>\$ (178,928)</u>
Expenditures subject to budget:			
Instruction	886,889	\$ 1,158,367	\$ 271,478
Vehicle operating services	6,325	13,000	6,675
Adjustment for qualifying budget credits	-	-	-
Total expenditures subject to budget	<u>893,214</u>	<u>\$ 1,171,367</u>	<u>\$ 278,153</u>
Receipts over (under) expenditures	(13,142)		
Unencumbered cash, beginning of year	<u>112,367</u>		
Unencumbered cash, end of year	<u>\$ 99,225</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 VOCATIONAL EDUCATION FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Miscellaneous	\$ -	\$ 5,000	\$ (5,000)
Transfers in:			
General fund	105,000	100,000	5,000
Supplemental general fund	20,000	20,000	-
Total cash receipts	<u>125,000</u>	<u>\$ 125,000</u>	<u>\$ -</u>
Expenditures subject to budget:			
Instruction	125,000	\$ 124,000	\$ (1,000)
Student support services	-	1,000	1,000
Adjustment for qualifying budget credits	-	-	-
Total expenditures subject to budget	<u>125,000</u>	<u>\$ 125,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	-		
Unencumbered cash, beginning of year	-		
Unencumbered cash, end of year	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 KPERS SPECIAL RETIREMENT CONTRIBUTION FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
State aid:			
KPERS retirement contributions	\$ 261,207	\$ 345,513	\$ (84,306)
Total cash receipts	<u>261,207</u>	<u>\$ 345,513</u>	<u>\$ (84,306)</u>
Expenditures subject to budget:			
Instruction	163,966	\$ 231,000	\$ 67,034
Student support services	20,000	13,700	(6,300)
Instructional support staff	7,500	14,500	7,000
General administration	17,241	16,964	(277)
School administration	22,000	27,500	5,500
Central services	7,500	7,162	(338)
Operations and maintenance	23,000	24,500	1,500
Food service operations	-	10,187	10,187
Adjustment for qualifying budget credits	-	-	-
Total expenditures subject to budget	<u>261,207</u>	<u>\$ 345,513</u>	<u>\$ 84,306</u>
Receipts over (under) expenditures	-		
Unencumbered cash, beginning of year	-		
Unencumbered cash, end of year	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 CONTINGENCY RESERVE FUND\*  
 Year ended June 30, 2011

	Current year actual
Cash receipts:	
Transfers in:	
General fund	\$ -
Total cash receipts	-
Expenditures:	
Community service operations	-
Total expenditures	-
Receipts over (under) expenditures	-
Unencumbered cash, beginning of year	357,413
Unencumbered cash, end of year	\$ 357,413

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 TEXTBOOK RENTAL FUND\*  
 Year ended June 30, 2011

	<u>Current year actual</u>
Cash receipts:	
Charge for services	<u>\$ 18,799</u>
Total cash receipts	<u>18,799</u>
Expenditures:	
Instruction	<u>6,697</u>
Total expenditures	<u>6,697</u>
Receipts over (under) expenditures	12,102
Unencumbered cash, beginning of year	<u>27,211</u>
Unencumbered cash, end of year	<u><u>\$ 39,313</u></u>

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 FEDERAL FUNDS  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Federal aid:			
Title I	\$ 155,493	\$ 155,493	\$ -
Title II	35,579	35,579	-
Rural education achievement program	-	60,000	(60,000)
Total cash receipts	<u>191,072</u>	<u>\$ 251,072</u>	<u>\$ (60,000)</u>
Expenditures subject to budget:			
Instruction	<u>191,572</u>	<u>\$ 284,205</u>	<u>\$ 92,633</u>
Total expenditures subject to budget	<u>191,572</u>	<u>\$ 284,205</u>	<u>\$ 92,633</u>
Receipts over (under) expenditures	(500)		
Unencumbered cash, beginning of year	<u>500</u>		
Unencumbered cash, end of year	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 GRANT FUNDS\*  
 Year ended June 30, 2011

	Current year actual
Cash receipts:	
Revenue from other local sources	\$ 4,897
Interest on idle funds	3,051
Total cash receipts	7,948
Expenditures:	
Instruction	6,188
Total expenditures	6,188
Receipts over (under) expenditures	1,760
Unencumbered cash, beginning of year	144,111
Unencumbered cash, end of year	\$ 145,871

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 ELWOOD RECREATION COMMISSION FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes and shared revenue:			
Ad valorem property - taxes in process	\$ 354	\$ 614	\$ (260)
Ad valorem property - current taxes	11,095	11,086	9
Delinquent	999	369	630
Motor vehicle	804	1,372	(568)
Recreational vehicle	10	19	(9)
Total cash receipts	<u>13,262</u>	<u>\$ 13,460</u>	<u>\$ (198)</u>
Expenditures subject to budget:			
Community service operations	13,262	\$ 13,460	\$ 198
Adjustment for qualifying budget credits	-	-	-
Total expenditures subject to budget	<u>13,262</u>	<u>\$ 13,460</u>	<u>\$ 198</u>
Receipts over (under) expenditures	-		
Unencumbered cash, beginning of year	-		
Unencumbered cash, end of year	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 WATHENA RECREATION COMMISSION FUND  
 Year ended June 30, 2011

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes and shared revenue:			
Ad valorem property - taxes in process	\$ 2,703	\$ 1,467	\$ 1,236
Ad valorem property - current taxes	51,153	47,649	3,504
Delinquent	1,356	1,442	(86)
Motor vehicle	6,350	5,095	1,255
Recreational vehicle	126	72	54
Total cash receipts	<u>61,688</u>	<u>\$ 55,725</u>	<u>\$ 5,963</u>
Expenditures subject to budget:			
Community service operations	55,725	\$ 56,600	\$ 875
Adjustment for qualifying budget credits	-	-	-
Total expenditures subject to budget	<u>55,725</u>	<u>\$ 56,600</u>	<u>\$ 875</u>
Receipts over (under) expenditures	5,963		
Unencumbered cash, beginning of year	-		
Unencumbered cash, end of year	<u>\$ 5,963</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 BOND & INTEREST FUND  
 YEAR ENDED June 30, 2011

	Current year		Variance - favorable (unfavorable)
	Actual	Budget	
<b>Cash receipts:</b>			
Taxes and shared revenue:			
Ad valorem property - taxes in process	\$ 1,725	\$ 3,267	\$ (1,542)
Ad valorem property - current taxes	72,715	75,988	(3,273)
Delinquent	5,286	1,932	3,354
Motor vehicle	4,050	6,899	(2,849)
Recreational vehicle	51	98	(47)
State aid:			
School district capital improvement	73,785	73,957	(172)
Investment income	-	4,000	(4,000)
<b>Total cash receipts</b>	<u>157,612</u>	<u>\$ 166,141</u>	<u>\$ (8,529)</u>
<b>Expenditures and transfers subject to budget:</b>			
Principal	115,000	\$ 115,000	\$ -
Interest	56,591	56,591	-
Fiscal charges	-	50	50
Adjustment for qualifying budget credits	-	-	-
<b>Total expenditures and transfers   subject to budget</b>	<u>171,591</u>	<u>\$ 171,641</u>	<u>\$ 50</u>
Receipts over (under) expenditures	(13,979)		
Unencumbered cash, beginning of year	<u>273,818</u>		
Unencumbered cash, end of year	<u>\$ 259,839</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL  
 AGENCY FUNDS  
 Year ended June 30, 2011

	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Student activity funds:				
Wathena High School:				
Art club	\$ 1,112	\$ 1,420	\$ 2,509	\$ 23
Baseball	484	4,829	4,496	817
Boys basketball	-	519	519	-
Cheerleaders	2,371	16,440	16,704	2,107
Concessions	136	21,273	21,100	309
Dance team	2,094	3,356	5,450	-
FFA (Doniphan County fund)	494	-	-	494
WICA	1,031	-	-	1,031
Girls basketball	-	439	439	-
SAFE	-	700	700	-
National honor society	15	33	48	-
SADD	671	2,502	1,672	1,501
Spanish club	26	-	-	26
School Spirit club	304	581	494	391
STUCO	876	5,152	4,792	1,236
Girls volleyball	249	668	646	271
W-Club	286	-	88	198
Math club	491	30	-	521
FACS Beef	120	250	370	-
FCCLA	854	1,018	980	892
Softball	-	140	110	30
Business club	1,048	347	1,133	262
Science club	405	90	193	302
KSTL - Kansas Student Technology Leaders	1,044	-	-	1,044
FFA	2,618	6,855	7,048	2,425
Freshman class	678	890	484	1,084
Sophomore class	1,824	1,241	1,148	1,917
Junior class	3,401	7,347	7,748	3,000
Senior class	3,858	1,504	4,172	1,190
Graduated classes	3,087	-	2,283	804
Total Wathena High School student activity funds	<u>29,577</u>	<u>77,624</u>	<u>85,326</u>	<u>21,875</u>
Elwood Junior/Senior High School:				
Art club	338	9,042	9,380	-
Cheerleaders	178	8,808	7,380	1,606
Jr. High Cheerleading	787	1,706	2,357	136
National honor society	102	366	432	36
Student council	4,165	5,737	8,295	1,607
Concession stand	-	11,128	11,128	-
Tournament concession stand	-	3,998	3,998	-
Freshman class	-	726	91	635
Sophomore class	734	514	1,036	212
Junior class	1,933	1,314	2,245	1,002
Senior class	5,546	281	5,744	83
Yearbook	4,997	8,024	9,531	3,490
Total Elwood Junior/Senior High School student activity funds	<u>18,780</u>	<u>51,644</u>	<u>61,617</u>	<u>8,807</u>

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL  
 AGENCY FUNDS  
 Year ended June 30, 2011

	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Student activity funds (continued):				
Wathena Middle School:				
Cheerleaders	5,032	4,078	8,476	634
Girls basketball	42	1,482	1,524	-
STUCO	499	3,422	3,033	888
8th grade	182	66	-	248
7th grade	-	112	-	112
Total Wathena Middle School student activity funds	<u>5,755</u>	<u>9,160</u>	<u>13,033</u>	<u>1,882</u>
 Total student activity funds	 <u>54,112</u>	 <u>138,428</u>	 <u>159,976</u>	 <u>32,564</u>
 Fees and user charges:				
Lunch fund	-	28,025	28,025	-
Book rental	-	18,604	18,499	105
Athletic participation	670	4,223	4,285	608
Total fees and user charges	<u>670</u>	<u>50,852</u>	<u>50,809</u>	<u>713</u>
 Other agency funds:				
Sales tax	94	11,205	11,170	129
Flexible spending	7,769	17,244	18,816	6,197
Subtotal other agency funds	<u>7,863</u>	<u>28,449</u>	<u>29,986</u>	<u>6,326</u>
 Total agency fund	 <u>\$ 62,645</u>	 <u>\$ 217,729</u>	 <u>\$ 240,771</u>	 <u>\$ 39,603</u>

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH - ACTUAL  
 DISTRICT ACTIVITY FUNDS  
 Year ended June 30, 2011

	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
Gate receipts:						
High school athletics	\$ 12,818	\$ 69,618	\$ 72,089	\$ 10,347	\$ -	\$ 10,347
Play	250	405	421	234	-	234
Subtotal gate receipts	13,068	70,023	72,510	10,581	-	10,581
School projects:						
Wathena High school:						
Band	28	582	560	50	-	50
Yearbook	5,468	7,614	8,876	4,206	-	4,206
SSR book buying fund	91	491	-	582	-	582
Greenhouse	42	-	-	42	-	42
Library science	1,250	-	1,225	25	-	25
Lift-a-thon	7	3,825	2,291	1,541	-	1,541
Vending	333	1,493	1,573	253	-	253
Art/history enrichment	50	-	50	-	-	-
Athletic improvement and equipment	4,097	2,480	1,964	4,613	-	4,613
Instructional supplies	519	2,000	1,171	1,348	-	1,348
Cultural	336	-	122	214	-	214
Student activities	682	634	1,188	128	-	128
Student need	156	58	101	113	-	113
Scholarship fund	300	-	-	300	-	300
Subtotal Wathena High School	13,359	19,177	19,121	13,415	-	13,415

The accompanying notes are an integral part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH - ACTUAL  
DISTRICT ACTIVITY FUNDS  
Year ended June 30, 2011

	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
<b>School projects (continued):</b>						
<b>Elwood Junior/Senior High School:</b>						
Dance and talent	3	-	3	-	-	-
Empower U Grant	125	810	935	-	-	-
After prom	87	-	87	-	-	-
Library	303	3,255	3,288	270	-	270
Special needs Elwood students	431	-	37	394	-	394
PTO	347	-	-	347	-	347
Junior high Washington trip	-	1,657	-	1,657	-	1,657
Junior high resource	-	93	93	-	-	-
High school projects	1,099	359	855	603	-	603
<b>Subtotal Elwood Junior/Senior High School</b>	<b>2,395</b>	<b>6,174</b>	<b>5,298</b>	<b>3,271</b>	<b>-</b>	<b>3,271</b>
<b>Wathena Elementary School:</b>						
Book fair	3,006	4,723	4,658	3,071	-	3,071
Townsend	-	992	225	767	-	767
Colin Johnston memorial	25	-	-	25	-	25
CATS	271	370	641	-	-	-
Yearbook	449	2,626	2,387	688	-	688
Vending	248	2,303	2,333	218	-	218
Student activities	1,207	1,511	1,982	736	-	736
<b>Subtotal Wathena Elementary School</b>	<b>5,206</b>	<b>12,525</b>	<b>12,226</b>	<b>5,505</b>	<b>-</b>	<b>5,505</b>
<b>Elwood Elementary School:</b>						
Townsend	24	763	787	-	-	-
Benevolent	521	55	455	121	-	121
Elementary	981	2,354	2,418	917	-	917
<b>Subtotal Elwood Elementary School</b>	<b>1,526</b>	<b>3,172</b>	<b>3,660</b>	<b>1,038</b>	<b>-</b>	<b>1,038</b>
<b>Total school projects</b>	<b>22,486</b>	<b>41,048</b>	<b>40,305</b>	<b>23,229</b>	<b>-</b>	<b>23,229</b>
<b>Total district activities</b>	<b>\$ 35,554</b>	<b>\$ 111,071</b>	<b>\$ 112,815</b>	<b>\$ 33,810</b>	<b>\$ -</b>	<b>\$ 33,810</b>

The accompanying notes are an integral part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 COMPONENT UNIT - WATHENA JOINT RECREATION COMMISSION  
 Year ended June 30, 2011

	Current year actual			
	Operating	Baseball	Swimming Pool	Total
Cash receipts:				
Taxes	\$ 55,725	\$ -	\$ -	\$ 55,725
Concessions	-	11,171	2,983	14,154
Program fees	-	1,915	-	1,915
Gate receipts	-	-	8,876	8,876
Donations	1,250	3,236	-	4,486
Interest	1,497	-	-	1,497
Miscellaneous	-	1,555	50	1,605
Reimbursed expenses	-	-	756	756
Transfers in:				
Operating fund	-	36,250	18,500	54,750
Total cash receipts	<u>58,472</u>	<u>54,127</u>	<u>31,165</u>	<u>143,764</u>
Expenditures and transfers:				
Advertising	-	122	122	244
Concessions	-	12,072	4,018	16,090
Equipment and supplies	-	6,410	3,832	10,242
Insurance	-	1,299	-	1,299
Interest	-	264	-	264
Miscellaneous	-	385	500	885
Payroll and payroll taxes	-	24,540	18,243	42,783
Repairs and maintenance	-	4,573	352	4,925
Utilities	-	3,514	3,789	7,303
Transfers out	54,750	-	-	54,750
Total expenditures and transfers	<u>54,750</u>	<u>53,179</u>	<u>30,856</u>	<u>138,785</u>
Receipts over (under) expenditures	3,722	948	309	4,979
Unencumbered cash, beginning of year	<u>21,861</u>	<u>2,781</u>	<u>8,029</u>	<u>32,671</u>
Unencumbered cash, end of year	<u>\$ 25,583</u>	<u>\$ 3,729</u>	<u>\$ 8,338</u>	<u>\$ 37,650</u>

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2011

1. Summary of significant accounting policies

a. Reporting entity

Unified School District No. 114, Riverside, Elwood, Kansas, ("the District") is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 114, Riverside, Elwood, Kansas (the primary government).

The Elwood Recreation Commission and Wathena Recreation Commission are considered component units of the District. As reflected in Statements 3.16 and 3.17, the District collects county tax revenue for the Commissions and subsequently remits those amounts to the Commissions. The operations of the Elwood Recreation Commission have not been included in these financial statements.

1. Discretely presented component unit

The component units section of the financial statements, Statement 6, includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the District. The governing body of this component unit is composed of two members appointed by the District, two members appointed by the City of Wathena, and a fifth member appointed by the Board.

a. Recreation commission

The Wathena Joint Recreation Commission oversees recreational activities. The recreation commission operates as a separate governing body, but the District levies the taxes for the recreation commission and the recreation commission has only the powers granted by statute, K.S.A. 12-1928. The recreation commission cannot purchase real property but can acquire real property by gift.

b. Reimbursed expenses

Certain expenditures are classified as reimbursed expenses. The purpose of these expenditures is payment for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934. The following expenditures are classified as reimbursed expenses for the year ended June 30, 2011:

General fund	\$106,419
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Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria:

1. the related disbursement was made in the current year on behalf of the payee,
2. the item paid for was directly identifiable as having been used by or provided to the payee, and
3. the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

c. Basis of accounting

1. Statutory basis of accounting

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

The District has adopted a resolution 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 statutory basis of accounting.

2. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

d. Cash and investments

Cash consists of checking accounts and certificates of deposit. The certificates of deposit are carried at cost, which approximates market value.

Cash balances in all funds are considered in determining the amount to be invested and further, unless specifically designated, all investment income is credited to the capital outlay fund.

e. Inventories and prepaid expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

f. Fund descriptions

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

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

1. Governmental funds

- a. General fund - to account for all unrestricted resources except those required to be accounted for in another fund.
- b. Special revenue funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.
- c. Debt service funds - to account for the accumulation of resources for and the payments of, interest and principal and related costs, on general long-term debt.

2. Fiduciary funds

- a. Trust and agency funds - to account for assets held by the District in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds are custodial in nature and do not involve measurement of operations. The District had no trust funds at June 30, 2011.

2. Stewardship, compliance, and accountability

a. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. 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 calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on budget.
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 District 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 statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the 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.

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

- Contingency reserve fund
- Textbook rental fund
- Grant funds

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 District.

b. Compliance with Kansas Statutes

The General Fund showed a negative ending unencumbered cash balance of \$410,137 for the year ended June 30, 2011. Additionally, the Supplemental General Fund showed a negative ending unencumbered cash balance of \$2,725 for the year ended June 30, 2011. K.S.A. 10-1116a provides that under certain situations, the fund can end the year with a negative unencumbered cash balance and therefore, be exempt from the cash basis law of the State of Kansas (K.S.A. 10-1113). The District is not deemed to be in violation of the Kansas cash basis law for the year ending June 30, 2011.

See Note 10 for presentation of the General Fund and Supplemental General Fund under compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d).

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

3. Deposits and investments

As of June 30, 2011, the District had no 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 bank 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. All deposits were legally secured at June 30, 2011.

3. Deposits and investments (continued)

At June 30, 2011, the District's carrying amount of deposits was \$1,223,441 and the bank balance was \$1,613,131. The bank balance was held by two banks, resulting in a concentration of credit risk. Of the bank balance, \$296,759 was covered by federal depository insurance, and the remaining \$1,316,372 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

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

4. Long-term debt

a. General obligation bonds

On November 29, 2007, Unified School District No. 486, Elwood, Kansas issued \$175,000 in general obligation bonds (Series 2007-A) for the purpose of providing funds to acquire real property and construct certain internal improvements including asphaltting a parking lot.

On November 29, 2007, Unified School District No. 486, Elwood, Kansas issued \$1,605,000 in general obligation bonds (Series 2007-B) for the purpose of refunding \$1,540,000 of Series 1999 general obligation bonds outstanding in order to provide economic benefits to the District derived from lower interest rates and provide for a more orderly payment. The refunded bonds represented all Series 1999 bonds maturing in the years 2009 and thereafter.

b. Capital leases

In September 2008, Unified School District No. 406, Wathena, Kansas entered into an Energy Management capital lease agreement. See the following page for more information related to the capital lease.

In March 2009, the Wathena Joint Recreation Commission purchased a 2008 Bad Boy mower for \$8,810. The purchase was financed through the vendor at 0% interest with 12 monthly payments of \$734. In September 2009, the Wathena Joint Recreation Commission refinanced the agreement through Farmers State Bank. The new agreement has terms of 3 annual payments of \$2,164 at a 6.5% interest rate. See the following page for more information.

In September 2010, the District purchased a 2011 Dodge Journey for \$17,450. The purchase was financed through Farmers State Bank. Terms of the lease require 3 annual payments at an interest rate of 4%. See the following page for more information.

4. Long-term debt (continued)

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

Issue	Interest rate	Date of issue	Amount of issue	Date of final maturity	Balance beginning of year	Additions	Reductions/payments	Balance end of year	Interest paid
General obligation bonds:									
Series 2007-A	3.75%	11/29/2007	\$ 175,000	03/01/2011	\$ 60,000	\$ -	\$ (60,000)	\$ -	\$ 2,250
Series 2007-B	3.85-4.10%	11/29/2007	\$1,605,000	09/01/2019	1,475,000	-	(115,000)	1,360,000	56,591
Total general obligation bonds					1,535,000	-	(175,000)	1,360,000	58,841
Capital leases:									
Primary government:									
Playground equipment	4.5%	09/27/2007	\$ 7,324	09/28/2013	5,089	-	(1,171)	3,918	248
Irrigation equipment	4.5%	09/27/2007	\$ 5,829	09/28/2013	4,054	-	(838)	3,216	292
Track resurfacing	4.5%	02/07/2008	\$ 35,900	12/31/2013	24,857	-	(5,855)	19,002	1,075
Energy management	4.6%	09/10/2008	\$ 537,913	07/25/2023	508,699	-	(26,694)	482,005	23,400
2011 Dodge Journey	4.0%	09/14/2010	\$ 17,450	09/14/2012	-	17,450	(6,175)	11,275	-
Component unit:									
2008 Bad Boy mower	6.5%	03/25/2009	\$ 8,810	04/01/2012	3,944	-	(1,876)	2,068	288
Total capital leases					546,643	17,450	(42,609)	521,484	25,303
Total long-term debt					\$2,081,643	\$ 17,450	\$ (217,609)	\$1,881,484	\$ 84,144

4. Long-term debt (continued)

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

	Year ended June 30,						Total		
	2012	2013	2014	2015	2016	2017-2021		2022-2026	2027-2031
<b>Principal:</b>									
General obligation bonds:									
Series 2007-B	\$125,000	\$130,000	\$135,000	\$145,000	\$ 150,000	\$675,000	\$ -	\$ -	
Capital leases:									
Primary government:									
Playground equipment	1,244	1,300	1,374	-	-	-	-	3,918	
Irrigation equipment	990	1,035	1,191	-	-	-	-	3,216	
Track resurfacing	6,073	6,348	6,581	-	-	-	-	19,002	
Energy management	27,922	29,149	30,547	31,952	33,422	191,565	137,448	482,005	
2011 Dodge Journey	5,722	5,553	-	-	-	-	-	11,275	
Component unit:									
2008 Bad Boy mower	2,068	-	-	-	-	-	-	2,068	
Total principal	169,019	173,385	174,693	176,952	183,422	866,565	137,448	1,881,484	
<b>Interest:</b>									
General obligation bonds:									
Series 2007-B	51,791	46,691	41,493	36,084	30,313	56,355	-	262,727	
Capital leases:									
Primary government:									
Playground equipment	175	120	45	-	-	-	-	340	
Irrigation equipment	140	95	-	-	-	-	-	235	
Track resurfacing	857	582	470	-	-	-	-	1,909	
Energy management	22,172	20,945	19,547	18,142	16,672	58,906	12,835	169,219	
2011 Dodge Journey	452	223	-	-	-	-	-	675	
Component unit:									
2008 Bad Boy mower	137	-	-	-	-	-	-	137	
Total interest	75,724	68,656	61,555	54,226	46,985	115,261	12,835	435,242	
<b>Total principal and interest payments</b>	<b>\$244,743</b>	<b>\$242,041</b>	<b>\$236,248</b>	<b>\$231,178</b>	<b>\$ 230,407</b>	<b>\$981,826</b>	<b>\$ 150,283</b>	<b>\$ -</b>	<b>\$2,316,726</b>

5. Interfund transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At Risk (4 year olds)	K.S.A. 72-6428	\$ 27,433
General Fund	At Risk (K-12)	K.S.A. 72-6428	416,706
General Fund	Capital Outlay	K.S.A. 72-6428	270,391
General Fund	Driver Training	K.S.A. 72-6428	611
General Fund	Special Education	K.S.A. 72-6428	649,434
General Fund	Vocational Education	K.S.A. 72-6428	105,000
Total transfers from general fund			<u>1,469,575</u>
Supplemental			
General Fund	At Risk (K-12)	K.S.A. 72-6433	130,000
Supplemental			
General Fund	Food Service	K.S.A. 72-6433	90,000
Supplemental			
General Fund	Special Education	K.S.A. 72-6433	228,000
Supplemental			
General Fund	Vocational Education	K.S.A. 72-6433	20,000
Total transfers from supplemental general fund			<u>468,000</u>
Total interfund transfers			<u>\$1,937,575</u>

6. Defined benefit plan

1. Plan description

The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

6. Defined benefit plan (continued)

2. Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% for employees hired after July 1, 2009. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 8.57% of covered payroll for fiscal year 2010, and 9.17% of covered payroll for fiscal year 2011.

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010, and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2011, 2010, and 2009 were \$261,207, \$0, and \$0.

7. Other post employment benefits

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.

8. Compensated absences

Employees accrue sick leave at the rate of nine days per year, with a maximum accumulation of seventy five days. All accumulated sick leave of an employee lapses upon retirement or departure of the employee from the District. However, if an employee has worked in the school district for at least ten consecutive years immediately prior to retirement, that employee will be paid for accumulated sick leave, up to a maximum of thirty days, at the rate of \$30 per day.

Four days of non-accumulative personal leave shall be granted to each employee at his or her contractual pay rate per year. All personal leave days not taken by the employee shall be converted to sick days and added to the employee's accumulated sick day total at the end of the contract year.

9. Commitments

- a. Noncancelable operating lease - Unified School District No. 406, Wathena, Kansas entered into an operating lease agreement for two copiers in November 2008. The lease is for a period of 36 months and requires total monthly payments of \$900.
- b. Noncancelable operating lease - Unified School District No. 486, Elwood, Kansas entered into an operating lease agreement for two copiers in November 2008. The lease is for a period of 36 months and requires total monthly payments of \$540.
- c. Noncancelable operating lease - Unified School District No. 114, Riverside, Elwood, Kansas entered into an operating lease agreement for a copier July 2010. The lease is for a period of 36 months and requires total monthly payments of \$140.
- d. Future minimum rental payments required under the noncancelable operating leases as of June 30, 2011 are as follows:

2012	\$	7,440
2013		<u>1,680</u>
Total	\$	<u><u>9,120</u></u>

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

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

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET  
For the Year Ended June 30, 2011  
GENERAL FUND

	Current year		
	Statutory Transactions	Budget	Variance - over (under)
<b>Statutory revenues:</b>			
Taxes and shared revenue:			
Ad valorem property - taxes in process	\$ 24,206	\$ 21,933	\$ 2,273
Ad valorem property - current taxes	530,708	538,855	(8,147)
Delinquent	25,685	16,757	8,928
State aid:			
Equalization aid	4,101,694	4,278,505	(176,811)
Special education services	649,434	779,000	(129,566)
Federal aid:			
ARRA stabilization	99,503	99,503	-
Education jobs fund	174,230	-	174,230
Reimbursed expenses	106,419	-	106,419
<b>Total statutory revenues</b>	<b>5,711,879</b>	<b>\$ 5,734,553</b>	<b>\$ (22,674)</b>
<b>Expenditures:</b>			
Instruction	2,196,530	\$ 2,473,500	\$ 276,970
Student support services	188,247	110,300	(77,947)
Instructional support staff	161,583	219,750	58,167
General administration	308,227	260,500	(47,727)
School administration	537,180	490,600	(46,580)
Central services	101,699	77,400	(24,299)
Operations and maintenance	639,379	551,700	(87,679)
Student transportation services	109,433	116,500	7,067
Transfers out	1,469,575	1,435,706	(33,869)
Adjustment to comply with legal max	-	(130,497)	(130,497)
Legal general fund budget	5,711,853	5,605,459	(106,394)
Adjustment for qualifying budget credits:			
Reimbursements	-	106,419	106,419
<b>Total expenditures</b>	<b>5,711,853</b>	<b>\$ 5,711,878</b>	<b>\$ 25</b>
Statutory revenues over (under) expenditures	26		
Modified unencumbered cash, beginning of year	-		
Modified unencumbered cash, end of year	<u>\$ 26</u>		

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

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET  
 For the Year Ended June 30, 2011  
 SUPPLEMENTAL GENERAL FUND

	Current year		
	Statutory Transactions	Budget	Variance - over (under)
<b>Statutory revenues:</b>			
Taxes and shared revenue:			
Ad valorem property - taxes in process	\$ 18,475	\$ 17,653	\$ 822
Ad valorem property - current taxes	369,364	350,469	18,895
Delinquent	23,348	13,013	10,335
Motor vehicle	41,166	44,713	(3,547)
Recreational vehicle	719	636	83
State aid:			
Equalization aid	600,412	592,936	7,476
<b>Total statutory revenues</b>	<u>1,053,484</u>	<u>\$ 1,019,420</u>	<u>\$ 34,064</u>
<b>Expenditures:</b>			
Instruction	468,834	\$ 401,400	\$ (67,434)
Student support services	3,000	7,000	4,000
Instructional support staff	2,000	2,500	500
General administration	10,500	10,500	-
Operations and maintenance	84,166	80,100	(4,066)
Transfers out	468,000	535,000	67,000
Adjustment to comply with legal max	-	-	-
Legal supplemental general fund budget	1,036,500	1,036,500	-
Adjustment for qualifying budget credits	-	-	-
<b>Total expenditures</b>	<u>1,036,500</u>	<u>\$ 1,036,500</u>	<u>\$ -</u>
<b>Statutory revenues over (under) expenditures</b>	16,984		
Modified unencumbered cash, beginning of year	<u>17,100</u>		
Modified unencumbered cash, end of year	<u>\$ 34,084</u>		

**ADDITIONAL INFORMATION**

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS\*  
 Year ended June 30, 2011

Federal Grantor/ pass-through grantor/program title	Federal CFDA number	Program or award amount	Beginning unencumbered cash balance	Cash Receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances	Ending cash balance
<u>U.S. Department of Education</u>								
Passed through Kansas Department of Education:								
Title I, part A cluster:								
Title I grants to LEAs	84.010	\$ 140,733	-	\$ 140,733	\$ 140,733	\$ -	\$ -	\$ -
Title I grants to LEAs, recovery act	84.389	14,760	-	14,760	14,760	-	-	-
Subtotal Title I, part A cluster		155,493	-	155,493	155,493	-	-	-
School preparedness	84.302	-	500	-	500	-	-	-
Education technology state grants	84.318	476	-	476	476	-	-	-
Improving teacher quality state grants	84.367	35,103	-	35,103	35,103	-	1,456	1,456
State fiscal stabilization fund - education state grants, recovery act	84.394	99,503	-	99,503	99,503	-	-	-
Education jobs fund	84.410	174,230	-	174,230	174,230	-	-	-
<b>Total U.S. Department of Education</b>		<b>464,805</b>	<b>500</b>	<b>464,805</b>	<b>465,305</b>	<b>-</b>	<b>1,456</b>	<b>1,456</b>
<u>U.S. Department of Agriculture</u>								
Passed through Kansas Department of Education:								
Child nutrition cluster:								
School breakfast program	10.553	52,018	-	52,018	52,018	-	-	-
National school lunch program	10.555	183,328	-	183,328	183,328	-	-	-
<b>Total U.S. Department of Agriculture</b>		<b>235,346</b>	<b>-</b>	<b>235,346</b>	<b>235,346</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total federal assistance</b>		<b>\$ 700,151</b>	<b>\$ 500</b>	<b>\$ 700,151</b>	<b>\$ 700,651</b>	<b>\$ -</b>	<b>\$ 1,456</b>	<b>\$ 1,456</b>

\*Note 1 on page 42 is an integral part of this Schedule of Expenditures of Federal Awards.

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE, ELWOOD, KANSAS  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2011

1. Basis of accounting

a. Statutory basis of accounting

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

The District has adopted a resolution in accordance with K.S.A. 75-1120a(c)(1) to waive reporting in accordance with accounting principles generally accepted in the United States of America, which allows the District to utilize the statutory basis of accounting.

b. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, and cash and unencumbered cash balances.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America.

**COMPLIANCE SECTION**



# *Kramer & Associates CPAs, LLC*

*Making the right move for your business*

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

*Tony Kramer, CPA  
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Deb Taylor, CPA  
Megan Todd, CPA  
Amy Schwinn, CPA  
Sherrie Hodges, CPA  
John Vohs, CPA  
Dana Splichal, CPA*

To the Board of Education  
Unified School District No. 114, Riverside  
Elwood, Kansas

We have audited the financial statements of Unified School District No. 114, Riverside (the "District"), Elwood, Kansas, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 14, 2011. Those financial statements were prepared on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Independent Auditors' Report expressed an unqualified opinion on the cash basis and budget law financial statements of Unified School District No. 114, Riverside, Elwood, Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting (2011-1). A *significant deficiency* is a deficiency, or a 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 14, 2011.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education and committees thereto, management, others within the entity, U.S. Department of Education, U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Kramer & Associates CPAs, LLC*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
November 14, 2011



# *Kramer & Associates CPAs, LLC*

*Making the right move for your business*

*Tony Kramer, CPA  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Unified School District No. 114, Riverside  
Elwood, Kansas

Compliance

We have audited the compliance of Unified School District No. 114, Riverside, (the "District"), Elwood, Kansas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express opinions on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education and committees thereto, management, others within the entity, the U.S. Department of Education, the U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*KRAMER & ASSOCIATES CPAs, L.L.C.*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
November 14, 2011

UNIFIED SCHOOL DISTRICT NO. 114, RIVERSIDE  
ELWOOD, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2011

**A. Summary of Audit Results**

1. The Independent Auditors' Report expressed an unqualified opinion on the cash basis and budget law financial statements of Unified School District No. 114, Riverside, Elwood, Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America.
2. One significant deficiency disclosed during the audit of the financial reporting is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The condition is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Unified School District No. 114, Riverside, Elwood, Kansas were noted during the audit.
4. No significant deficiencies in internal control over major federal awards programs disclosed during the audit are being reported. No deficiencies considered to be material weaknesses in internal control over major programs were identified.
5. The Independent Auditors' report on compliance for each major federal award program for Unified School District No. 114, Riverside, Elwood, Kansas, expresses an unqualified opinion on all major programs.
6. There is no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The programs tested as major programs included:
 

<u>United States Department of Education</u>	
CFDA No.	Title
84.410	Education jobs fund
<u>United States Department of Agriculture</u>	
CFDA No.	Title
10.553	Child Nutrition Cluster: School breakfast program
10.555	National school lunch program
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. Unified School District No. 114, Riverside, Elwood, Kansas, was not determined to be a low-risk auditee.

**B. Findings - Financial Statement Audit**

2011-1 Segregation of duties

<i>Criteria</i>	No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Specifically, there are three critical duties that should be separated for internal control purposes: signing checks, maintaining fund accounting records, and reconciling the bank statements.
<i>Condition</i>	The District does not have complete segregation of duties with respect to financial transactions and reporting.
<i>Cause</i>	The District does not have the resources and it is not cost beneficial to hire the staff needed for a complete segregation of duties.
<i>Effect</i>	Errors in processing transactions and financial reporting and/or the misappropriation of assets might not be detected in a timely manner or might not be detected at all.
<i>Recommendation</i>	The District should take steps to have as many financial transactions as possible independently reviewed.
<i>Management's Response</i>	We agree with the finding.

**C. Findings and questioned costs - Major Federal Awards Programs Audit**

No matters were noted.