

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

Independent Audit Report

July 1, 2010 to June 30, 2011

MAPES & MILLER LLP

Certified Public Accountants

Norton, Kansas

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

Financial Statements

For the Fiscal Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Education
Unified School District No. 211
Norton, Kansas 67654

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We have audited the accompanying financial statements of Unified School District No. 211, Norton, Kansas, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the District's primary government, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the guidance in the Kansas Municipal Audit Guide, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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As described more fully in Note 1, the Unified School District No. 211, Norton, Kansas has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the 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 omission of the discretely presented component units, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 211, Norton, Kansas, as of June 30, 2011, or the changes in financial position for the year then ended.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of Unified School District No. 211, Norton, Kansas as of June 30, 2011, and their respective cash receipts and expenditures and budgetary comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2012, on our consideration of Unified School District No. 211's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Unified School District No. 211, Kansas, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements of Unified School District No. 211. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole on the basis of accounting described in Note 1.

Mapes & Miller LLP

Certified Public Accountants

Norton, Kansas
February 13, 2012

UNIFIED SCHOOL DISTRICT NO. 211
 Norton, Kansas
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Funds:							
General	\$ (455,216)	0	5,583,824	5,525,334	(396,726)	639	(396,087)
Supplemental General	(128,540)	0	1,581,819	1,453,066	213	114,352	114,565
Special Revenue Funds:							
At Risk K-12	50,000	0	393,306	393,306	50,000	0	50,000
Capital Outlay	912,518	0	545,466	500,289	957,695	31,300	988,995
Driver Training	30,224	0	24,989	9,463	45,750	0	45,750
Food Service	78,956	0	379,994	345,221	113,729	961	114,690
Professional Development	27,967	0	27,289	1,547	53,709	0	53,709
Summer School	19,645	0	23,140	72	42,713	0	42,713
Special Education	572,008	0	1,136,781	1,092,400	616,389	458	616,847
Vocational Education	0	0	119,625	119,625	0	3,209	3,209
KPERs Special Retirement Contribution	(146,747)	0	406,225	259,478	0	0	0
Recreation Commission	50,780	0	110,332	112,715	48,397	0	48,397
Federal Funds	(16,737)	0	180,274	177,858	(14,321)	671	(13,650)
Gifts and Grants	14,737	0	9,269	6,501	17,505	800	18,305
Contingency Reserve	541,026	2,666	0	0	543,692	0	543,692
Textbook Rental and Student Material Revolving	35,214	0	15,514	35,823	14,905	13,943	28,848
Outdoor Wildlife Learning Site	244	0	0	15	229	0	229
District Activity	14,855	0	64,166	62,986	16,035	0	16,035
Fiduciary Type Funds:							
Private Purpose Trust Funds:							
Eicher Butler Scholarship	200,574	0	11,058	11,000	200,632	10,000	210,632
Louis Welter Scholarship	14,064	0	285	300	14,049	300	14,349
Tansil Scholarship	200,923	0	4,094	5,000	200,017	5,000	205,017
Ford Farber Scholarship	1,704	0	25	500	1,229	250	1,479
Bishop Scholarship	1,000	0	0	0	1,000	0	1,000
Dave Stuewe Scholarship	12,692	0	3,812	500	16,004	500	16,504
Bob Winteroth Scholarship	1,025	0	21	500	546	500	1,046
Gertrude Steichen Scholarship	0	0	23,469	3,000	20,469	1,000	21,469
Total Primary Government (Excluding Agency Funds)	\$ <u>2,032,916</u>	<u>2,666</u>	<u>10,644,777</u>	<u>10,116,499</u>	<u>2,563,860</u>	<u>183,883</u>	<u>2,747,743</u>

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

Composition of Cash

For the Fiscal Year Ended June 30, 2011

STATEMENT 1

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First State Bank, Norton, Kansas	
Checking Account	\$ 1,500
NOW Accounts	47,213
Money Market Account	1,719,932
Certificates of Deposit	468,971
First Security Bank and Trust, Norton, Kansas	
Checking Accounts	7,098
NOW Accounts	39,107
Money Market Account	11,052
Savings Account	<u>509,774</u>
Total Cash	2,804,647
Agency Funds per Statement 4	<u>(56,904)</u>
Total Primary Government (Excluding Agency Funds)	\$ <u><u>2,747,743</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 2

Norton, Kansas

Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2011

Description	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 Funds:						
General	\$ 5,578,279	(64,952)	12,007	5,525,334	5,525,334	0
Supplemental General	1,434,542	0	18,524	1,453,066	1,453,066	0
Special Revenue Funds:						
At Risk K-12	450,000	0	0	450,000	393,306	(56,694)
Capital Outlay	1,226,007	0	0	1,226,007	500,289	(725,718)
Driver Training	16,541	0	0	16,541	9,463	(7,078)
Food Service	401,877	0	0	401,877	345,221	(56,656)
Professional Development	25,388	0	0	25,388	1,547	(23,841)
Summer School	14,165	0	0	14,165	72	(14,093)
Special Education	1,639,589	0	0	1,639,589	1,092,400	(547,189)
Vocational Education	130,000	0	0	130,000	119,625	(10,375)
KPERS Special Retirement Contribution	375,084	0	0	375,084	259,478	(115,606)
Recreation Commission	100,000	0	0	100,000	112,715	12,715
Federal Funds	182,397	0	0	182,397	177,858	*
Gifts and Grants	14,980	0	0	14,980	6,501	*

* Exempt from Budget Law.

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

Page 1

General Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 26,521	15,798	10,723
Current Tax	552,210	523,916	28,294
Delinquent Tax	4,666	6,065	(1,399)
Mineral Tax	12,089	0	12,089
State Equalization Aid	3,907,842	4,072,378	(164,536)
Federal ARRA Stabilization Aid	260,595	94,727	165,868
State Special Education Aid	804,977	869,864	(64,887)
Federal Aid (PL 382)	1,632	0	1,632
Excess Federal Aid (PL 382)	285	0	285
User Charges	1,285	0	1,285
Miscellaneous	5,258	0	5,258
Residual Transfer from USD 213-Lenora	<u>6,464</u>	<u>0</u>	<u>6,464</u>
 Total Cash Receipts	 <u>5,583,824</u>	 <u>5,582,748</u>	 <u>1,076</u>
 Expenditures:			
Instruction	2,360,646	2,586,975	(226,329)
Student Support Services	159,578	167,590	(8,012)
Instructional Support Staff	209,467	205,003	4,464
General Administration	140,113	121,447	18,666
School Administration	378,054	390,062	(12,008)
Operations and Maintenance	370,913	422,168	(51,255)
Student Transportation Services	218,043	237,144	(19,101)
Other Supplemental Services	92,726	91,172	1,554
Transfer to Capital Outlay	210,000	97,254	112,746
Transfer to Driver Training	20,000	0	20,000
Transfer to Food Service	45,900	0	45,900
Transfer to Professional Development	25,000	0	25,000
Transfer to Special Education	878,448	869,901	8,547
Transfer to Summer School	23,140	0	23,140
Transfer to At Risk K-12	393,306	400,000	(6,694)
Adjustment to Comply With Legal Max			
Legal General Fund Budget	<u>0</u>	<u>(64,952)</u>	<u>64,952</u>
 Total Legal General Fund Budget	 5,525,334	 5,523,764	 1,570

(Continued)

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

Page 2

General Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
(Continued)			
Adjustment for Qualifying Budget Credits:			
Excess Federal Aid (PL 382)	\$ 0	285	(285)
Excess User Charges	<u>0</u>	<u>1,285</u>	<u>(1,285)</u>
 Total Expenditures	 <u>5,525,334</u>	 <u>5,525,334</u>	 <u>0</u>
 Cash Receipts Over (Under) Expenditures	 58,490		
Unencumbered Cash, Beginning	<u>(455,216)</u>		
 Unencumbered Cash, Ending*	 \$ <u><u>(396,726)</u></u>		

* See Note 14 (Cash Basis Exemption)
See Note 15 (Statutory Presentation)

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

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Supplemental General Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 22,615	15,602	7,013
Current Tax	444,538	455,074	(10,536)
Delinquent Tax	7,513	7,302	211
Motor Vehicle Tax	91,127	79,739	11,388
Recreational Vehicle Tax	2,534	2,033	501
Excise Tax	49	0	49
State Aid	994,968	887,114	107,854
Residual Transfer from USD 213-Lenora	<u>18,475</u>	<u>0</u>	<u>18,475</u>
 Total Cash Receipts	 <u>1,581,819</u>	 <u>1,446,864</u>	 <u>134,955</u>
 Expenditures:			
Instruction	444,722	445,838	(1,116)
Instructional Support Staff	9,281	20,400	(11,119)
General Administration	53,034	59,000	(5,966)
School Administration	27,089	32,500	(5,411)
Operations and Maintenance	301,521	327,000	(25,479)
Student Transportation Services	62,340	50,000	12,340
Other Supplemental Services	203,784	214,437	(10,653)
Transfer to Special Education	231,670	173,891	57,779
Transfer to Vocational Education	<u>119,625</u>	<u>130,000</u>	<u>(10,375)</u>
 Total Expenditures	 <u>1,453,066</u>	 <u>1,453,066</u>	 <u>0</u>
 Cash Receipts Over (Under) Expenditures	 128,753		
Unencumbered Cash, Beginning	<u>(128,540)</u>		
 Unencumbered Cash, Ending	 \$ <u>213</u>		

See Note 15 (Statutory Presentation)

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

Page 4

At Risk K-12 Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Transfer from General	\$ 393,306	<u>400,000</u>	<u>(6,694)</u>
Expenditures:			
Instruction	<u>393,306</u>	<u>450,000</u>	<u>(56,694)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>50,000</u>		
Unencumbered Cash, Ending	\$ <u>50,000</u>		

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

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Capital Outlay Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 1,246	1,608	(362)
Current Tax	94,611	89,442	5,169
Delinquent Tax	1,006	724	282
Motor Vehicle Tax	13,687	13,665	22
Recreational Vehicle Tax	355	349	6
Interest on Idle Funds	32,843	0	32,843
Other Revenue from Local Sources	13,378	0	13,378
Federal Aid	699	0	699
Residual Transfer from USD 213-Lenora	177,641	0	177,641
Transfer from General	<u>210,000</u>	<u>97,254</u>	<u>112,746</u>
 Total Cash Receipts	 <u>545,466</u>	 <u>203,042</u>	 <u>342,424</u>
Expenditures:			
Instruction	74,977	100,000	(25,023)
Student Support Services	189	50,000	(49,811)
General Administration	4,203	123,747	(119,544)
School Administration	118,856	50,000	68,856
Operations and Maintenance	27,269	50,000	(22,731)
Transportation	135,576	100,000	35,576
Facilities Acquisition and Construction	<u>139,219</u>	<u>752,260</u>	<u>(613,041)</u>
 Total Expenditures	 <u>500,289</u>	 <u>1,226,007</u>	 <u>(725,718)</u>
Cash Receipts Over (Under) Expenditures	45,177		
Unencumbered Cash, Beginning	<u>912,518</u>		
 Unencumbered Cash, Ending	 <u>\$ 957,695</u>		

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

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Driver Training Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Other Revenue from Local Sources	\$ 2,325	0	2,325
State Aid	2,664	3,500	(836)
Transfer from General	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total Cash Receipts	<u>24,989</u>	<u>3,500</u>	<u>21,489</u>
Expenditures:			
Instruction	8,888	14,873	(5,985)
Vehicle Operations, Maintenance Services	<u>575</u>	<u>1,668</u>	<u>(1,093)</u>
Total Expenditures	<u>9,463</u>	<u>16,541</u>	<u>(7,078)</u>
Cash Receipts Over (Under) Expenditures	15,526		
Unencumbered Cash, Beginning	<u>30,224</u>		
Unencumbered Cash, Ending	\$ <u><u>45,750</u></u>		

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

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Food Service Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Federal Aid	\$ 184,316	173,693	10,623
State Aid	4,260	3,301	959
Food Service	144,137	144,849	(712)
Miscellaneous	1,319	0	1,319
Residual Transfer from USD 213-Lenora	62	0	62
Transfer from General	<u>45,900</u>	<u>0</u>	<u>45,900</u>
Total Cash Receipts	<u>379,994</u>	<u>321,843</u>	<u>58,151</u>
Expenditures:			
Operations and Maintenance	4,840	2,000	2,840
Food Service Operations	<u>340,381</u>	<u>399,877</u>	<u>(59,496)</u>
Total Expenditures	<u>345,221</u>	<u>401,877</u>	<u>(56,656)</u>
Cash Receipts Over (Under) Expenditures	34,773		
Unencumbered Cash, Beginning	<u>78,956</u>		
Unencumbered Cash, Ending	<u>\$ 113,729</u>		

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

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Professional Development Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Residual Transfer from USD 213-Lenora	\$ 2,289	0	2,289
Transfer from General	<u>25,000</u>	<u>0</u>	<u>25,000</u>
Total Cash Receipts	<u>27,289</u>	<u><u>0</u></u>	<u><u>27,289</u></u>
Expenditures:			
Instructional Support Staff	1,547	22,888	(21,341)
Other Supplemental Service	<u>0</u>	<u>2,500</u>	<u>(2,500)</u>
Total Expenditures	<u>1,547</u>	<u><u>25,388</u></u>	<u><u>(23,841)</u></u>
Cash Receipts Over (Under) Expenditures	25,742		
Unencumbered Cash, Beginning	<u>27,967</u>		
Unencumbered Cash, Ending	\$ <u><u>53,709</u></u>		

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

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Summer School Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts			
Transfer from General	\$ <u>23,140</u>	<u>0</u>	<u>23,140</u>
Expenditures:			
Instruction	0	13,665	(13,665)
Student Support Services	<u>72</u>	<u>500</u>	<u>(428)</u>
Total Expenditures	<u>72</u>	<u>14,165</u>	<u>(14,093)</u>
Cash Receipts Over (Under) Expenditures	23,068		
Unencumbered Cash, Beginning	<u>19,645</u>		
Unencumbered Cash, Ending	\$ <u>42,713</u>		

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

STATEMENT 3

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Special Education Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Other Revenue from Local Sources	\$ 669	0	669
Residual Transfer from USD 213-Lenora	25,994	0	25,994
Transfer from General	878,448	869,901	8,547
Transfer from Supplemental General	<u>231,670</u>	<u>173,891</u>	<u>57,779</u>
 Total Cash Receipts	 <u>1,136,781</u>	 <u>1,043,792</u>	 <u>92,989</u>
Expenditures:			
Instruction	1,072,304	1,169,332	(97,028)
Instructional Support Staff	0	81,226	(81,226)
Operations & Maintenance	0	170,000	(170,000)
Student Transportation Services	<u>20,096</u>	<u>219,031</u>	<u>(198,935)</u>
 Total Expenditures	 <u>1,092,400</u>	 <u>1,639,589</u>	 <u>(547,189)</u>
 Cash Receipts Over (Under) Expenditures	 44,381		
Unencumbered Cash, Beginning	<u>572,008</u>		
 Unencumbered Cash, Ending	 \$ <u>616,389</u>		

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

Page 11

Vocational Education Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Transfer from Supplemental General	\$ 119,625	<u>130,000</u>	<u>(10,375)</u>
Expenditures:			
Instruction	118,465	129,000	(10,535)
Operations & Maintenance	<u>1,160</u>	<u>1,000</u>	<u>160</u>
Total Expenditures	<u>119,625</u>	<u>130,000</u>	<u>(10,375)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

STATEMENT 3

Page 12

KPERS Special Retirement Contribution Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
State Aid	\$ 406,225	<u>375,084</u>	<u>31,141</u>
Expenditures:			
Instruction	166,066	240,054	(73,988)
Student Support	7,784	11,252	(3,468)
Instructional Support	10,120	14,628	(4,508)
General Administration	5,190	7,502	(2,312)
School Administration	18,682	27,006	(8,324)
Other Supplemental Services	15,309	22,130	(6,821)
Operations and Maintenance	18,942	27,381	(8,439)
Student Transportation Services	8,822	12,753	(3,931)
Food Service	<u>8,563</u>	<u>12,378</u>	<u>(3,815)</u>
Total Expenditures	<u>259,478</u>	<u>375,084</u>	<u>(115,606)</u>
Cash Receipts Over (Under) Expenditures	146,747		
Unencumbered Cash, Beginning	<u>(146,747)</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 3

Norton, Kansas

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Recreation Commission Fund

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 2,053	2,263	(210)
Current Tax	94,639	96,481	(1,842)
Delinquent Tax	1,117	1,616	(499)
Motor Vehicle Tax	12,201	12,351	(150)
Recreational Vehicle Tax	<u>322</u>	<u>314</u>	<u>8</u>
Total Cash Receipts	<u>110,332</u>	<u>113,025</u>	<u>(2,693)</u>
Expenditures:			
Community Service Operations	<u>112,715</u>	<u>100,000</u>	<u>12,715</u>
Cash Receipts Over (Under) Expenditures	(2,383)		
Unencumbered Cash, Beginning	<u>50,780</u>		
Unencumbered Cash, Ending	\$ <u><u>48,397</u></u>		

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

Federal Funds

STATEMENT 3

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Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	Title I	Title II Part A	Title II Part D	ARRA Title I	Total	Budget*	Variance Over (Under)
Cash Receipts:							
Federal Aid	\$ 106,919	28,188	362	44,805	180,274	199,134	(18,860)
Expenditures:							
Instruction	106,919	36,873	362	33,704	177,858	182,397	(4,539)
Total Expenditures	<u>106,919</u>	<u>36,873</u>	<u>362</u>	<u>33,704</u>	<u>177,858</u>	<u>182,397</u>	<u>(4,539)</u>
Receipts Over (Under) Expenditures	0	(8,685)	0	11,101	2,416		
Unencumbered Cash, Beginning	<u>0</u>	<u>(5,636)</u>	<u>0</u>	<u>(11,101)</u>	<u>(16,737)</u>		
Unencumbered Cash, Ending	\$ <u>0</u>	<u>(14,321)</u>	<u>0</u>	<u>0</u>	<u>(14,321)</u>		

* Exempt from Budget Law per K.S.A. 12-1663.

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

STATEMENT 3

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Gifts and Grants Funds

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended June 30, 2011

	<u>Gifts & Grants</u>	<u>Gardner Memorial Library</u>	<u>Coordinated School Health</u>	<u>Totals</u>	<u>Budget*</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:						
Interest on Idle Funds	\$ 0	182	0	182	0	182
Grant Proceeds	0	0	4,355	4,355	0	4,355
Donations	<u>4,732</u>	<u>0</u>	<u>0</u>	<u>4,732</u>	<u>0</u>	<u>4,732</u>
Total Cash Receipts	<u>4,732</u>	<u>182</u>	<u>4,355</u>	<u>9,269</u>	<u>0</u>	<u>9,269</u>
Expenditures:						
Instruction	<u>2,476</u>	<u>0</u>	<u>4,025</u>	<u>6,501</u>	<u>14,980</u>	<u>(8,479)</u>
Receipts Over (Under) Expenditures	2,256	182	330	2,768		
Unencumbered Cash, Beginning	<u>1,899</u>	<u>12,838</u>	<u>0</u>	<u>14,737</u>		
Unencumbered Cash, Ending	\$ <u>4,155</u>	<u>13,020</u>	<u>330</u>	<u>17,505</u>		

* Exempt from Budget Law per K.S.A. 79-2925 and K.S.A. 12-16,111.

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

Any Non-budgeted Fund

Statement of Cash Receipts and Expenditures

Actual

For the Year Ended June 30, 2011

STATEMENT 3

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	<u>Contingency Reserve</u>	<u>Textbook Rental and Student Material Revolving</u>	<u>Outdoor Wildlife Learning Site</u>
Cash Receipts:			
Fees	\$ <u>0</u>	<u>15,514</u>	<u>0</u>
Expenditures:			
Instruction	<u>0</u>	<u>35,823</u>	<u>15</u>
Cash Receipts Over (Under) Expenditures	0	(20,309)	(15)
Prior Year Cancelled Encumbrances	2,666	0	0
Unencumbered Cash, Beginning	<u>541,026</u>	<u>35,214</u>	<u>244</u>
Unencumbered Cash, Ending	\$ <u><u>543,692</u></u>	<u><u>14,905</u></u>	<u><u>229</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

Any Non-budgeted Fund

Statement of Cash Receipts and Expenditures

Actual

For the Year Ended June 30, 2011

STATEMENT 3

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	<u>Eicher Butler Scholarship</u>	<u>Louis Welter Scholarship</u>	<u>Tansil Scholarship</u>
Cash Receipts:			
Interest on Idle Funds	\$ 11,058	285	4,094
Expenditures:			
Scholarships	11,000	300	5,000
Cash Receipts Over (Under) Expenditures	58	(15)	(906)
Unencumbered Cash, Beginning	<u>200,574</u>	<u>14,064</u>	<u>200,923</u>
Unencumbered Cash, Ending	<u>\$ 200,632</u>	<u>14,049</u>	<u>200,017</u>

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

Any Non-budgeted Fund

Statement of Cash Receipts and Expenditures

Actual

For the Year Ended June 30, 2011

STATEMENT 3

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	<u>Ford Farber Scholarship</u>	<u>Bishop Scholarship</u>
Cash Receipts:		
Interest	\$ 25	0
Expenditures:		
Scholarships	500	0
Cash Receipts Over (Under) Expenditures	(475)	0
Unencumbered Cash, Beginning	1,704	1,000
Unencumbered Cash, Ending	\$ <u>1,229</u>	<u>1,000</u>

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

Any Non-budgeted Fund

Statement of Cash Receipts and Expenditures

Actual

For the Year Ended June 30, 2011

STATEMENT 3

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	<u>Dave Stuewe Scholarship</u>	<u>Bob Winteroth Scholarship</u>	<u>Gertrude Steichen Scholarship</u>
Cash Receipts:			
Interest	\$ 287	21	0
Donations	<u>3,525</u>	<u>0</u>	<u>23,469</u>
 Total Cash Receipts	 <u>3,812</u>	 <u>21</u>	 <u>23,469</u>
 Expenditures:			
Scholarships	<u>500</u>	<u>500</u>	<u>3,000</u>
 Cash Receipts Over (Under) Expenditures	 3,312	 (479)	 20,469
Unencumbered Cash, Beginning	<u>12,692</u>	<u>1,025</u>	<u>0</u>
	\$		
Unencumbered Cash, Ending	<u>16,004</u>	<u>546</u>	<u>20,469</u>

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

UNIFIED SCHOOL DISTRICT NO. 211

STATEMENT 4

Norton, Kansas

Agency Funds

Summary of Cash Receipts and Cash Disbursements
For the Year Ended June 30, 2011

Fund	Beginning Cash Balance	Cash Receipts	Cash Disburse- ments	Ending Cash Balance
Student Organization Funds:				
Senior High:				
Class of 2010	633	0	633	0
Class of 2011	2,303	2	1,222	1,083
Class of 2012	483	20,115	18,719	1,879
Class of 2013	193	0	0	193
Class of 2014	0	653	0	653
F.F.A.	9,030	44,366	49,278	4,118
FCCLA	3,965	2,132	2,351	3,746
Yearbook	2,852	14,603	17,131	324
Concessions	7,054	27,751	24,732	10,073
KAYS	4,055	7,349	7,232	4,172
Blue Crew	865	9,754	8,337	2,282
National Honor Society	516	517	375	658
Nugget	761	2,452	2,805	408
Student Advisory Council	2,627	4,722	4,914	2,435
Drama Club	3,144	3,516	2,781	3,879
Art Projects Club	107	0	100	7
Vocal Music Club	1,842	6,880	5,106	3,616
Students Against Drunk Driving	476	421	582	315
Dance Club	5,156	4,045	6,617	2,584
NCSTV Club	1,682	1,008	138	2,552
Band Club	1,787	2	631	1,158
Junior High:				
Student Council	486	2,147	1,772	861
KAYS	2,191	11,350	11,352	2,189
Pep Club	837	600	810	627
Concessions	493	0	0	493
Total Student Organization Funds	53,538	164,385	167,618	50,305
Other Agency Funds:				
Employee Benefits	6,081	7,552	7,034	6,599
Total Agency Funds	\$ 59,619	171,937	174,652	56,904

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

STATEMENT 5

District Activity Funds

Statement of Cash Receipts, Expenditures and Unencumbered Cash

For the Fiscal Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
High School Athletics	\$ 10,898	0	48,673	47,929	11,642	0	11,642
Junior High Athletics	2,946	0	13,100	12,990	3,056	0	3,056
Junior High Music	1,011	0	2,393	2,067	1,337	0	1,337
Total District Activity Funds	\$ <u>14,855</u>	<u>0</u>	<u>64,166</u>	<u>62,986</u>	<u>16,035</u>	<u>0</u>	<u>16,035</u>

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

UNIFIED SCHOOL DISTRICT NO. 211

Norton, Kansas

Notes to the Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

Reporting Entity

Unified School District No. 211, Norton, Kansas operates as a unified school district in accordance with the laws of the State of Kansas. The District is operated by an elected board of education and provides the following services: education, culture and recreation.

Principles Determining Scope of Reporting Entity

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Norton Recreation Commission is a component unit of the District. Financial information for the Norton Recreation Commission has not been reported in the District's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with generally accepted accounting principles.

Norton Recreation Commission. The Norton Recreation Commission oversees recreational activities. A five-member board is appointed to oversee the operation. Two members of the board are appointed by the District's board with two more members appointed by the City of Norton's council. The remaining member is appointed by the other four members. The District annually levies a tax for the operation of the Commission. Unaudited financial reports for the Norton Recreation Commission are available from the Recreation Commission Director, P.O. Box 96, Norton, Kansas 67654.

Fund Accounting

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 fiscal year ended June 30, 2011:

Governmental Funds:

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

Special Revenue Funds--To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Fiduciary Funds:

Private Purpose Trust and Agency Funds--To account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Reimbursed Expenditures

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.

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

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

The basis of presentation described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under the United States of America generally accepted accounting principles, 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 of the United States of America. Capital assets that account for the land, building, 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.

2. **Budgetary Information**

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

1. Preparation of the budget for the succeeding calendar year 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.

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 related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. Any unused budgeted expenditure authority lapses at year-end.

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

	<u>Statutory Authority for Exemption</u>
Title I	K.S.A. 12-1663
Title II, Part A	K.S.A. 12-1663
Title II, Part D	K.S.A. 12-1663
Drug Free Schools	K.S.A. 12-1663
Gifts & Grants	K.S.A. 79-2925
Gardner Memorial Library	K.S.A. 79-2925
Coordinated School Health	K.S.A. 12-16,111
Contingency Reserve	K.S.A. 72-6426
Textbook Rental and Student Material Revolving	K.S.A. 72-8250
Outdoor Wildlife Learning Site	K.S.A. 79-2925
High School Athletics	K.S.A. 72-8208a
Junior High Athletics	K.S.A. 72-8208a
Junior High Music	K.S.A. 72-8208a

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

3. Property Taxes

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due 1/2 on December 20th and 1/2 the following May 10th. Any taxes unpaid at the due dates are considered delinquent. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the District and therefore are not susceptible to accrual.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

4. Lease Obligations

There were no operating leases which require disclosure. Capital lease obligations are reported in Note 11.

5. Inventories and Prepaid Expense

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

6. Compensated Absences

Sick Leave

The employees of Unified School District No. 211 are allowed twelve days of sick leave per year. This can be carried over and accumulated to eighty days. Unused sick leave in excess of the eighty days maximum accumulation will be bought back by the District at the rate of \$30.00 per day for certified employees and at a rate of one hour for every four hours of entitlement for classified employees payable on August 20 for employees returning to the District or under contract at that time. No payment for unused sick leave is made when an employee terminates employment with the District unless the employee is retiring or is disabled. When an employee retires from the District or is disabled, 25 percent of all unused sick leave shall be purchased at full salary. The cost of accumulated sick leave as of June 30, 2011 was \$30,806 and is included in long-term debt in Note 11.

Vacation Pay

The superintendent is allowed fifteen days of vacation per year. Vacation time is allowed for the following classified employees: maintenance director, maintenance and grounds assistant, clerk, treasurer, unified office secretary, and twelve-month custodial. Vacation time is based on years of continuous employment according to the following schedule:

<u>Years of Employment</u>	<u>Vacation Days</u>
Zero to 1 year	.833 days per month
After 1 to 6 years	10 days per year or .833 days per month
After 7 to 9 years	11 days per year or .9166 days per month
After 10 to 12 years	12 days per year or 1.0 days per month
After 13 to 15 years	13 days per year or 1.083 days per month
After 16 or more years	15 days per year or 1.25 days per month

The cost of accumulated vacation pay as of June 30, 2011 was \$36,318 and is included in long-term debt in Note 11.

7. Defined Benefit Pension Plan

Plan Description

Unified School District No. 211, Norton, Kansas participates in the Kansas Public Employees Retirement System (KPERS); a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4 percent of covered salary. Member-employee 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 9.17% of covered payroll, which includes 1% for Group Death and Disability Insurance. There was a moratorium on the 1% collection for Group Death and Disability Insurance from April 1, 2011 through June 30, 2011. These contribution requirements are established by KPERS and are periodically revised. Kansas' contribution to KPERS for all Kansas public school employees for the years ending June 30, 2010 and 2009 were \$248,468,186 and \$242,277,363, respectively. For the year ending June 30, 2011, the required contribution was \$253,834,044. As of June 30, 2011, the State of Kansas contributed \$188,864,352. The remaining \$64,969,692 was contributed by July 12, 2011. The amounts attributable to the District for the years ending June 30, 2011, 2010, and 2009 were \$259,478, 288,526, and 284, 993, respectively.

8. Early Retirement Program

Faculty members of the District who may find it necessary or desirable to retire from employment with the District prior to normal retirement age may elect to take early retirement under the terms set out in Article XVIII of the negotiated agreement. Early retirement is entirely voluntary and at the discretion of eligible faculty members. Eligibility for full benefits is determined as follows:

1. Currently a certified faculty member or administrator.
2. Not less than 60 years of age and not more than 64 years of age as of September 1 of the year of selection.
3. Ten (10) years of more of continuous service with the District and an additional five (5) years of employment with the District, or another Kansas school district, or service with KPERS.

Faculty members electing the reduced retirement benefit must meet requirement 1 and 3 above in addition to the following requirement:

1. Eligible for retirement with the Kansas Public Employees Retirement System (KPERS) or age 55.

Any faculty member wishing to retire at the end of a contract year must file for benefits by May 1st of that contract year.

A faculty member who takes early retirement is entitled to receive annually from the District a sum of money equal to the teachers' highest salary while employed by the District less the base salary from the District's salary schedule multiplied by 40% for full benefit. The difference between the teachers' highest salary while employed by the District less the base salary from the District's salary schedule shall be multiplied by 90% and divided by 60 to determine the monthly amount for reduced benefit. The reduced benefit will cease to be paid after 60 months or when the participant reaches 65 or is Medicare qualified, whichever is sooner.

These benefits will be paid monthly on the regular payday set by the District. A faculty member taking early retirement has the option to maintain health insurance coverage through the District's health insurance program. All early retirement benefits, including the option to maintain health insurance automatically terminate at the time the faculty member reaches age 65 or is eligible for Medicare. In the event of death of the retiree, the monthly benefit will be paid to the deceased's named beneficiary for a period of twelve months, or until the end of the benefit's life, whichever is sooner.

The District's liability for faculty members approved for early retirement is presented as a component of long-term debt in Note 11.

9. **Other Post Employment Benefits**

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

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

10. **Deposits and Investments**

At June 30, 2011, the District had no investments except for certificates of deposit which are considered to be a component of deposits.

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 municipality is located and the banks provide an acceptable rate of return on the funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

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

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

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

At June 30, 2011, the District's carrying amount of deposits was \$2,804,647 and the bank balance was \$3,398,472. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$501,768 was covered by federal depository insurance, and the remaining \$2,896,704 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial Credit Risk – Investments

For an investment, there is the risk that in the event of the failure of the issuer or counter party, 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.

11. General Long-term Debt

Changes in long-term liabilities for Unified School District No. 211, Norton, Kansas for the year ended June 30, 2011 were as follows:

Issue	Interest Rates	Date Issued	Amount of Original Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Lease Purchase Agreements:										
Qualified Zone Academy Bonds										
(OZAB) (Note 11)	0.00%	01/28/06	\$ 600,000	01/28/15	\$ 312,684		60,440		252,244	0
Compensated Absences:										
Sick Leave	N/A	N/A	N/A	N/A	23,104			7,702	30,806	0
Vacation Pay	N/A	N/A	N/A	N/A	31,611			4,707	36,318	0
Total Compensated Absences					54,715			12,409	67,124	0
Early Retirement Program (Note 8)	N/A	N/A	N/A	N/A	314,540	160,905	178,129		297,316	0
Total Long-term Debt					\$ 681,939	160,905	238,569	12,409	616,684	0

Current maturities for long-term debt for Unified School District No. 211, Norton, Kansas for the next five years and in five-year increments after that are as follows:

	2012	2013	2014	2015	2016	2017-2021	Total
PRINCIPAL							
Lease Purchase Agreements:							
Qualified Zone Academy Bonds (QZAB)							
Lease Payments (Note 11)	\$ 55,543	55,543	55,543	55,543	0	0	222,172
Interest Earnings (Note 11)	5,925	6,979	8,041	9,127	0	0	30,072
Total Principal	61,468	62,522	63,584	64,670	0	0	252,244
INTEREST							
Lease Purchase Agreements:							
Qualified Zone Academy Bonds (QZAB)							
	0	0	0	0	0	0	0
Total Principal and Interest	\$ 61,468	62,522	63,584	64,670	0	0	252,244
Early Retirement Program	\$ 118,808	89,088	61,705	18,459	5,695	3,561	297,316

Qualified Zone Academy Bonds

On January 28, 2005 the District entered into a \$600,000 Qualified Zone Academy Bond (QZAB) agreement with Bank of America, N.A., for the financing of renovations, repairs and improvements to existing school buildings. The agreement is a lease purchase with the District scheduled to pay Bank of America, N.A., ten annual lease payments of \$55,543. The lease payments are to be placed in an interest bearing custodial account. At the end of the tenth year, the balance of this account will be made to balance to \$600,000 by adjusting the final lease payment. The custodian will then release the funds in the account to Bank of America, N.A. to retire the bonds and the lease will be terminated.

12. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the District purchases commercial insurance.

During the year ended June 30, 2011, the District did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

13. **Interfund Transfers**

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General	Capital Outlay	K.S.A. 72-6428	\$ 210,000
General	Driver Training	K.S.A. 72-6428	20,000
General	Food Service	K.S.A. 72-6428	45,900
General	Professional Development	K.S.A. 72-6428	25,000
General	Summer School	K.S.A. 72-6428	23,140
General	Special Education	K.S.A. 72-6428	878,448
General	At Risk K-12	K.S.A. 72-6428	393,306
Supplemental General	Special Education	K.S.A. 72-6433	231,670
Supplemental General	Vocational Education	K.S.A. 72-6433	119,625

14. **Compliance with Kansas Statutes****Cash Basis Exemption**

K.S.A. 10-1113 requires each fund to comply with the cash basis laws of Kansas. That is, no commitments or indebtedness should be incurred unless there is available cash in the fund.

The General Fund incurred indebtedness in excess of the available cash balance. The General Fund expenditures exceeded the fund balance due to the final June state aid payment for the 2011 fiscal year being received after June 30, 2011. The June state aid for the General Fund of \$401,192 was received on July 7, 2011. K.S.A. 10-1116(a) exempts expenditures by school districts that are in excess of current revenues if the deficit in revenues is caused by late distribution of general state aid.

The Title II A federal fund incurred indebtedness in excess of the available cash balance. However, K.S.A. 12-1664 allows a deficit unencumbered cash balance for federal aid funds. The deficit is expected to be eliminated in the future years as grant proceeds are received.

Budget Compliance

K.S.A. 79-2935 states that it is unlawful for expenditures to exceed the District's published budget. It appears that expenditures in the Recreation Commission fund have exceeded the respective published budget amount. This appears to be a violation of K.S.A. 79-2935.

15. **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) requires 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 June 30. The following shows the revenue as required by the statutes.

15. 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

GENERAL FUND

	<u>Statutory Transactions</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Tax in Process	\$ 26,521	15,798	10,723
Current Tax	552,210	523,916	28,294
Delinquent Tax	4,666	6,065	(1,399)
Mineral Tax	12,089	0	12,089
State Equalization Aid	3,844,542	4,072,378	(227,836)
Federal ARRA Stabilization Aid	260,595	94,727	165,868
State Special Education Aid	804,977	869,864	(64,887)
Federal Aid (PL 382)	1,632	0	1,632
Excess Federal Aid (PL 382)	285	0	285
User Charges	1,285	0	1,285
Miscellaneous	5,258	0	5,258
Residual Transfer from USD 213-Lenora	<u>6,464</u>	<u>0</u>	<u>6,464</u>
 Total Cash Receipts	 <u>5,520,524</u>	 <u>5,582,748</u>	 <u>(62,224)</u>
Expenditures:			
Instruction	2,360,646	2,586,975	(226,329)
Student Support Services	159,578	167,590	(8,012)
Instructional Support Staff	209,467	205,003	4,464
General Administration	140,113	121,447	18,666
School Administration	378,054	390,062	(12,008)
Operations and Maintenance	370,913	422,168	(51,255)
Student Transportation Services	218,043	237,144	(19,101)
Other Supplemental Services	92,726	91,172	1,554
Transfer to Capital Outlay	210,000	97,254	112,746
Transfer to Driver Training	20,000	0	20,000
Transfer to Food Service	45,900	0	45,900
Transfer to Professional Development	25,000	0	25,000
Transfer to Special Education	878,448	869,901	8,547
Transfer to Summer School	23,140	0	23,140
Transfer to At Risk K-12	393,306	400,000	(6,694)
Adjustment to Comply with Legal Max Legal General Fund Budget	<u>0</u>	<u>(64,952)</u>	<u>64,952</u>
 Total Legal General Fund Budget	 <u>5,525,334</u>	 <u>5,523,764</u>	 <u>1,570</u>
Adjustment for Qualifying Budget Credits:			
Excess Federal Aid (PL 382)	0	285	(285)
Excess User Charges	<u>0</u>	<u>1,285</u>	<u>(1,285)</u>
 Total Expenditures	 <u>5,525,334</u>	 <u>5,525,334</u>	 <u>0</u>
Revenue Over (Under) Expenditures	(4,810)		
Modified Unencumbered Cash, Beginning	<u>9,206</u>		
Modified Unencumbered Cash, Ending	<u>\$ 4,396</u>		

15. 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

	Statutory Transactions	Budget	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 22,615	15,602	7,013
Current Tax	444,538	455,074	(10,536)
Delinquent Tax	7,513	7,302	211
Motor Vehicle Tax	91,127	79,739	11,388
Recreational Vehicle Tax	2,534	2,033	501
Excise Tax	49	0	49
State Aid	884,222	887,114	(2,892)
Residual Transfer from USD 213-Lenora	<u>18,475</u>	<u>0</u>	<u>18,475</u>
Total Cash Receipts	<u>1,471,073</u>	<u>1,446,864</u>	<u>24,209</u>
Expenditures:			
Instruction	444,722	445,838	(1,116)
Instructional Support Staff	9,281	20,400	(11,119)
General Administration	53,034	59,000	(5,966)
School Administration	27,089	32,500	(5,411)
Operations and Maintenance	301,521	327,000	(25,479)
Student Transportation Services	62,340	50,000	12,340
Other Supplemental Services	203,784	214,437	(10,653)
Transfer to Special Education	231,670	173,891	57,779
Transfer to Vocational Education	<u>119,625</u>	<u>130,000</u>	<u>(10,375)</u>
Total Expenditures	<u>1,453,066</u>	<u>1,453,066</u>	<u>0</u>
Revenue Over (Under) Expenditures	18,007		
Modified Unencumbered Cash, Beginning	<u>34,740</u>		
Modified Unencumbered Cash, Ending	\$ <u>52,747</u>		

MAPES & MILLER LLP

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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

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Board of Education
Unified School District No. 211
Norton, KS 67654

We have audited the financial statements of Unified School District No. 211, Norton, Kansas, as of and for the year ended June 30, 2011, which collectively comprise Unified School District No. 211's basic financial statements and have issued our report thereon dated February 13, 2012. Our report on the financial statements disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the guidance in the Kansas Municipal Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unified School District No. 211'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 Unified School District No. 211's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Unified School District No. 211's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, 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, 2011-2, and 2011-3). A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 211's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We also noted certain other matters that we reported to management of Unified School District No. 211 in a separate letter dated February 13, 2012.

Unified School District No. 211's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Unified School District No. 211's response, and accordingly, we express no opinion on it.

This report is intended for the information and use of the Board of Education and management of the Unified School District No. 211, Norton, Kansas, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Mapes & Miller LLP

Certified Public Accountants

Norton, Kansas
February 13, 2012

MAPES & MILLER LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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Board of Education
Unified School District No. 211
Norton, KS 67654

Compliance

We have audited the compliance of Unified School District No. 211 with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Unified School District No. 211's major federal programs for the year ended June 30, 2011. Unified School District No. 211's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Unified School District No. 211's management. Our responsibility is to express an opinion on Unified School District No. 211'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 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 Unified School District No. 211's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Unified School District No. 211's compliance with those requirements.

In our opinion, Unified School District No. 211 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Unified School District No. 211 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 Unified School District No. 211's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 211'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 the 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2011-4. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Unified School District No. 211's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Unified School District No. 211's responses and, accordingly, we express no opinion on the responses.

This report is intended for the information and use of the Board of Education and management of Unified School District No. 211, Norton, Kansas, others within the entity, and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Mapes & Miller LLP

Certified Public Accountants
February 13, 2012

UNIFIED SCHOOL DISTRICT NO. 211

SCHEDULE 1

Norton, Kansas

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

	Federal CFDA Number	Unencumbered Cash July 1, 2010	Cash Receipts	Expenditures	Unencumbered Cash June 30, 2011
<u>U. S. DEPARTMENT OF AGRICULTURE</u>					
Passed through Kansas Department of Education:					
School Breakfast Program	10.553	\$ 0	35,981	35,981	0
National School Lunch Program	10.555	0	148,335	148,335	0
Team Nutrition Training Grant	10.574	0	<u>1,290</u>	<u>1,290</u>	<u>0</u>
 Total U. S. Department of Agriculture		<u>0</u>	<u>185,606</u>	<u>185,606</u>	<u>0</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>					
Direct Programs:					
Impact Aid (PL382)	84.041	0	2,616	2,616	0
Passed through Kansas Department of Education:					
Stabilization - 2009 ARRA	84.394	0	94,727	94,727	0
Education Jobs Fund - ARRA	84.410	0	165,868	165,868	0
Title I Low Income	84.010	0	106,919	106,919	0
Title I Low Income ARRA	84.389	(11,101)	44,805	33,704	0
Title IIA Improving Teacher Quality	84.367	(5,636)	28,188	36,873	(14,321)
Title IID Tech Literacy	84.318	0	362	362	0
Title IID Tech Literacy ARRA	84.386	0	0	0	0
Drug Free	84.186	0	0	0	0
Data Use Grant	84.720	0	0	0	0
 Total U. S. Department of Education		<u>(16,737)</u>	<u>443,485</u>	<u>441,069</u>	<u>(14,321)</u>
 TOTAL		\$ <u>(16,737)</u>	<u>629,091</u>	<u>626,675</u>	<u>(14,321)</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Unified School District No. 211 and is presented on a statutory basis of accounting to demonstrate compliance with the cash basis laws of the State of Kansas. Expenditures include disbursements, accounts payable, and encumbrances. The information presented in this schedule is in accordance with the requirements of OMB Circular A-133 Audits, of State, local governments, and non-profit organizations.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:

In accordance with the statutory basis of accounting described in Note 1 to the financial statements

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No
- Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

Yes No

Identification of major programs:

Unqualified

CFDA NUMBER

84.410
10.555 & 10.553

NAME OF FEDERAL PROGRAM

Education Jobs Fund-ARRA
Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

2011-1 Segregation of Duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Recommendations: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Response: We concur with the recommendation. However, the size of the entity does not make it practical to have sufficient number of employees to achieve the optimum level of internal control.

2011-2 Financial Statement Preparation

Condition: Management does not have the qualifications and training necessary to prepare the financial statements which would include the related footnote disclosures.

Criteria: Management must have controls over the preparation of the financial statements including footnote disclosures which would prevent or detect an omission/misstatement in the financial statements.

Effect: The control deficiency allows for omission/misstatements in the financial statements including footnotes that may not be prevented, detected, or corrected.

Cause: There are no procedures in place that require management to obtain the necessary qualifications and training.

Recommendations: Management would need to attend training classes and annual continuing education classes to educate on proper and complete preparation of the financial statements and footnote disclosures and to be aware of all of the current accounting standards by purchasing annual accounting subscriptions.

Response: We concur with the recommendation. However, the cost of annual subscription services and the continuing education/training classes do not make it practical to obtain the competency and expertise required to correct the deficiency.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

2011-3 Signatures on Checks

Condition: During our review of internal controls, it was noted that all three authorized signatures are printed on the District's checks.

Criteria: Internal controls should be designed so that each authorized signer has control over their own signature.

Cause: There are no controls in place that require each individual to have control of their own signature.

Effect: Lack of controls could result in an unauthorized transaction.

Recommendations: We recommend that each authorized signer either manually sign or stamp their signature on each check.

Response: We concur with the recommendation. However, due to the large number of checks the District does not feel it would be efficient to have each person sign the checks.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. Internal control findings: National School Lunch Program CFDA No. 10.555, School Breakfast Program CFDA No. 10.553, and ARRA Education Jobs Fund CFDA No. 84.410 passed through the Kansas Department of Education for the year ended June 30, 2011.

2011-4 Segregation of Duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Recommendations: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Response: We concur with the recommendation. However, the size of the entity does not make it practical to have sufficient number of employees to achieve the optimum level of internal control.

2. Compliance findings – None found.
3. Questioned costs – None found.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2010-6

Condition: The limited staff size does not provide for adequate segregation of duties.

Recommendation: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Current Status: The size of the entity does not make it practical to have a sufficient number of employees to achieve the optimum level of internal control.