

UNIFIED SCHOOL DISTRICT NO. 242  
Weskan, Kansas  
Audit Report  
July 1, 2010 to June 30, 2011

MAPES & MILLER  
Certified Public Accountants  
Quinter, Kansas

UNIFIED SCHOOL DISTRICT NO. 242  
Weskan, Kansas  
Audit Report  
July 1, 2010 to June 30, 2011

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# MAPES & MILLER

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A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Unified School District No. 242  
Weskan, Kansas 67762

We have audited the accompanying financial statements of Unified School District No. 242, Weskan, Kansas, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

To the Board of Education  
Unified School District No. 242  
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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 Unified School District No. 242, Weskan, Kansas, as of June 30, 2011, or the changes in its 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 Unified School District No. 242, Weskan, Kansas, as of June 30, 2011, and its 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.

*Mapes & Miller*

Certified Public Accountants  
October 17, 2011

UNIFIED SCHOOL DISTRICT NO. 242  
Weeskan, Kansas

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

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Type Funds:</b>						
<b>General Funds</b>						
General Fund	\$ (91,405)	1,097,247	1,089,966	(84,124) *	0	(84,124)
Supplemental General Fund	(13,926)	370,451	357,254	(729) *	0	(729)
<b>Special Revenue Funds</b>						
Capital Outlay Fund	136,589	124,827	47,633	213,783	0	213,783
Food Service Fund	28,258	89,798	86,329	31,727	0	31,727
Professional Development Fund	212	2,000	0	2,212	0	2,212
Special Education Fund	41,498	130,899	117,663	54,734	0	54,734
Vocational Education Fund	0	9,210	5,210	4,000	0	4,000
KPERS Special Retirement Contribution Fund	(29,927)	78,991	49,064	0	0	0
At Risk Fund (K - 12)	0	70,742	60,742	10,000	0	10,000
Bilingual Education Fund	630	23,434	20,064	4,000	0	4,000
Gifts and Grants Fund	1,632	26,644	22,847	5,429	0	5,429
Contingency Reserve Fund	105,001	0	0	105,001	0	105,001
Textbook & Student Material Revolving Fund	14,401	6,840	3,212	18,029	0	18,029
Federal Funds	2	38,894	52,939	(14,043) *	0	(14,043)
District Activity Funds (Stmnt 5)	22,276	27,680	29,023	20,933	0	20,933
<b>Total Reporting Entity (excluding Agency Funds)</b>	\$ 215,241	2,097,657	1,941,946	370,952	0	370,952

\* See the Notes to the Financial Statements, 9. Statutory Compliance

Composition of Cash:	\$
Eastern Colorado Bank, Sharon Springs, KS	
Checking Accounts	1,500
NOW Accounts	295,757
Certificates of Deposit	100,000
Total Eastern Colorado Bank	397,257
<b>Total Cash</b>	397,257
Less: Agency Funds (per Statement 4)	(26,305)
<b>Total Reporting Entity (excluding Agency Funds)</b>	\$ 370,952

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

## UNIFIED SCHOOL DISTRICT NO. 242

Wekan, Kansas

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

Fund	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 Fund Types:						
General Fund	\$ 1,090,000	(13,624)	13,590	1,089,966	1,089,966	0
Supplemental General Fund	354,372	0	2,882	357,254	357,254	0
Special Revenue Funds:						
Capital Outlay Fund	170,108	0	0	170,108	47,633	(122,475)
Food Service Fund	110,378	0	0	110,378	86,329	(24,049)
Professional Development Fund	213	0	0	213	0	(213)
Special Education Fund	154,156	0	0	154,156	117,663	(36,493)
Vocational Education Fund	6,000	0	0	6,000	5,210	(790)
KPERS Special Retirement Contribution Fund	66,414	0	0	66,414	49,064	(17,350)
At Risk Fund (K - 12)	65,000	0	0	65,000	60,742	(4,258)
Bilingual Education Fund	20,630	0	0	20,630	20,064	(566)
Gifts and Grants Fund	1,632	0	0	1,632	22,847	*
Federal Funds	51,955	0	0	51,955	52,939	**

\* Exempt from budget law per K.S.A. 72-8210

\*\* Exempt from budget law per K.S.A. 12-1663

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

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

	Actual	Budget	Variance Over (Under)
<b>Cash Receipts:</b>			
Ad Valorem Tax:			
Tax in Process	\$ 2,073	971	1,102
Current Tax	146,363	142,117	4,246
Delinquent Tax	542	1,423	(881)
Federal ARRA Stabilization Aid	19,635	19,635	0
Federal Education Jobs Aid	34,381	0	34,381
State Equalization Aid	786,939	838,029	(51,090)
Special Education Aid	87,228	87,825	(597)
Mineral Tax	6,496	0	6,496
Reimbursements	13,590	0	13,590
	<u>1,097,247</u>	<u>1,090,000</u>	<u>7,247</u>
<b>Total Cash Receipts</b>			
<b>Expenditures:</b>			
Instruction	552,859	579,830	(26,971)
Student Support Services	15,821	15,475	346
Instruction Support Staff	9,122	9,075	47
General Administration	81,431	89,770	(8,339)
School Administration	97,229	95,452	1,777
Operations & Maintenance	70,488	88,030	(17,542)
Operations & Maintenance - Transportation	0	6,776	(6,776)
Student Transportation - Supervision	1,431	1,932	(501)
Vehicle Operating Services	38,968	38,593	375
Transfer to At Risk Fund (K-12)	13,500	5,000	8,500
Transfer to Bilingual Education Fund	14,000	20,000	(6,000)
Transfer to Capital Outlay Fund	88,871	6,242	82,629
Transfer to Food Service Fund	5,000	40,000	(35,000)
Transfer to Special Education Fund	97,646	87,825	9,821
Transfer to Vocational Education Fund	3,600	6,000	(2,400)
Adjustment to Comply with Legal Max	0	(13,624)	13,624
	<u>1,089,966</u>	<u>1,076,376</u>	<u>13,590</u>
Legal General Fund Budget	1,089,966	1,076,376	13,590
Adjustment for Qualifying Budget Credits			
Reimbursements	0	13,590	(13,590)
	<u>1,089,966</u>	<u>1,089,966</u>	<u>0</u>
<b>Total Expenditures</b>			
Cash Receipts Over (Under) Expenditures	7,281		
Unencumbered Cash, Beginning	(91,405)		
Unencumbered Cash, Ending	<u>\$ (84,124)</u>		

**Additional Information**

See the Notes to the Financial Statements, 11. Compliance with K.S.A 72-6417 (d) and K.S.A 72-6434 (d), for the schedule of Statutory Revenues and Expenditures for the General Fund in compliance with these statutes.

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

	Actual	Budget	Variance Over (Under)
<b>Cash Receipts:</b>			
Ad Valorem Tax:			
Tax in Process	\$ 4,274	2,406	1,868
Current Tax	211,810	202,641	9,169
Delinquent Tax	1,005	2,695	(1,690)
Motor Vehicle Tax	16,898	19,378	(2,480)
Recreational Vehicle Tax	120	142	(22)
Supplemental State Aid	133,462	121,215	12,247
Reimbursements	2,882	0	2,882
	<u>370,451</u>	<u>348,477</u>	<u>21,974</u>
<b>Total Cash Receipts</b>			
<b>Expenditures:</b>			
Instruction	96,701	143,760	(47,059)
Student Support Services	5,196	17,000	(11,804)
Instructional Support Staff	338	6,200	(5,862)
General Administration	15,619	16,000	(381)
School Administration	865	1,000	(135)
Operation & Maintenance	70,291	84,715	(14,424)
Vehicle Operating Services	17,381	25,697	(8,316)
Transfer to At Risk Fund (K - 12)	57,242	60,000	(2,758)
Transfer to Bilingual Education Fund	9,434	0	9,434
Transfer to Food Service Fund	46,577	0	46,577
Transfer to Professional Development Fund	2,000	0	2,000
Transfer to Vocational Education Fund	5,610	0	5,610
Transfer to Special Education Fund	30,000	0	30,000
	<u>357,254</u>	<u>354,372</u>	<u>2,882</u>
Legal Supplemental General Fund Budget	357,254	354,372	2,882
Adjustment for Qualifying Budget Credits			
Reimbursements	0	2,882	(2,882)
	<u>357,254</u>	<u>357,254</u>	<u>0</u>
<b>Total Expenditures</b>			
Cash Receipts Over (Under) Expenditures	13,197		
Unencumbered Cash, Beginning	<u>(13,926)</u>		
Unencumbered Cash, Ending	<u>\$ (729)</u>		

**Additional Information**

See the Notes to the Financial Statements, 11. Compliance with K.S.A 72-6417 (d) and K.S.A 72-6434 (d), for the schedule of Statutory Revenues and Expenditures for the Supplemental General Fund in compliance with these statutes.

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
<b>Capital Outlay Fund</b>			
Cash Receipts:			
Ad Valorem Tax			
Tax in Process	\$ 380	213	167
Current Tax	24,498	23,786	712
Delinquent Tax	146	239	(93)
Motor Vehicle Tax	2,539	2,916	(377)
Recreational Vehicle Tax	18	21	(3)
Other Revenue From a Local Source	8,375	0	8,375
Transfer from General Fund	88,871	6,242	82,629
	<u>124,827</u>	<u>33,417</u>	<u>91,410</u>
Total Cash Receipts			
Expenditures:			
Instruction	388	25,000	(24,612)
Student Support Services	743	0	743
School Administration	2,524	0	2,524
Operation & Maintenance	7,432	10,000	(2,568)
Site Improvement	771	100,000	(99,229)
Building Improvements	35,775	35,108	667
	<u>47,633</u>	<u>170,108</u>	<u>(122,475)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	77,194		
Unencumbered Cash, Beginning	136,589		
	<u>213,783</u>		
Unencumbered Cash, Ending	\$ 213,783		

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

	Actual	Budget	Variance Over (Under)
<b>Food Service Fund</b>			
Cash Receipts:			
Federal Aid	\$ 17,696	18,609	(913)
State Aid	578	537	41
Charges for Services	19,697	22,990	(3,293)
Miscellaneous	250	0	250
Transfer from General Fund	5,000	40,000	(35,000)
Transfer from Supplemental General Fund	46,577	0	46,577
	<u>89,798</u>	<u>82,136</u>	<u>7,662</u>
Total Cash Receipts			
Expenditures:			
Operations & Maintenance	232	2,000	(1,768)
Food Service Operation	86,097	108,378	(22,281)
	<u>86,329</u>	<u>110,378</u>	<u>(24,049)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	3,469		
Unencumbered Cash, Beginning	28,258		
	<u>31,727</u>		
Unencumbered Cash, Ending			
<b>Professional Development Fund</b>			
Cash Receipts			
Transfer from Supplemental General Fund	\$ 2,000	0	2,000
Expenditures:			
Instruction Support Staff	0	213	(213)
Cash Receipts Over (Under) Expenditures			
Unencumbered Cash, Beginning	2,000		
	<u>212</u>		
Unencumbered Cash, Ending			
	<u>\$ 2,212</u>		

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

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
<b>Special Education Fund</b>			
Cash Receipts:			
Interest on Idle Funds	\$ 832	0	832
Other Revenue From Local Source	2,421	0	2,421
Transfer from General Fund	97,646	87,825	9,821
Transfer from Supplemental General Fund	30,000	0	30,000
	<u>130,899</u>	<u>87,825</u>	<u>43,074</u>
Total Cash Receipts			
Expenditures:			
Instruction	117,245	153,556	(36,311)
Vehicle Operating Services	418	600	(182)
	<u>117,663</u>	<u>154,156</u>	<u>(36,493)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	13,236		
Unencumbered Cash, Beginning	<u>41,498</u>		
Unencumbered Cash, Ending	<u>\$ 54,734</u>		
<b>Vocational Education Fund</b>			
Cash Receipts:			
Transfer from General Fund	\$ 3,600	6,000	(2,400)
Transfer from Supplemental General Fund	5,610	0	5,610
	<u>9,210</u>	<u>6,000</u>	<u>3,210</u>
Total Cash Receipts			
Expenditures:			
Instruction	5,210	6,000	(790)
	<u>5,210</u>	<u>6,000</u>	<u>(790)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	4,000		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 4,000</u>		

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

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

	Actual	Budget	Variance Over (Under)
<b>KPERS Special Retirement Contribution Fund</b>			
Cash Receipts:			
State Contributions to KPERS	\$ 78,991	66,414	12,577
Expenditures:			
Instruction	40,304	55,000	(14,696)
General Administration	1,781	2,000	(219)
School Administration	2,944	4,000	(1,056)
Operation & Maintenance	2,908	5,414	(2,506)
Food Service	1,127	0	1,127
Total Expenditures	49,064	66,414	(17,350)
Cash Receipts Over (Under) Expenditures	29,927		
Unencumbered Cash, Beginning	(29,927)		
Unencumbered Cash, Ending	\$ 0		

**Additional Information**

See the Notes to the Financial Statements, 13. KPERS Special Retirement Contribution Fund

**At Risk Fund (K-12)**

Cash Receipts:			
Transfer from General Fund	\$ 13,500	5,000	8,500
Transfer from Supplemental General Fund	57,242	60,000	(2,758)
Total Cash Receipts	70,742	65,000	5,742
Expenditures:			
Instruction	58,740	62,993	(4,253)
Student Transportation Services	2,002	2,007	(5)
Total Expenditures	60,742	65,000	(4,258)
Cash Receipts Over (Under) Expenditures	10,000		
Unencumbered Cash, Beginning	0		
Unencumbered Cash, Ending	\$ 10,000		

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

UNIFIED SCHOOL DISTRICT NO. 242  
Weskan, Kansas  
Special Revenue Funds  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2011

	Actual	Budget	Variance Over (Under)
<b>Bilingual Education Fund</b>			
Cash Receipts:			
Transfer from General Fund	\$ 14,000	20,000	(6,000)
Transfer from Supplemental General Fund	9,434	0	9,434
Total Cash Receipts	23,434	20,000	3,434
Expenditures:			
Instruction	20,064	20,630	(566)
Cash Receipts Over (Under) Expenditures	3,370		
Unencumbered Cash, Beginning	630		
Unencumbered Cash, Ending	\$ 4,000		
 <b>Gifts and Grants Fund</b>			
Cash Receipts:			
Donations	\$ 26,644	0	26,644
Expenditures:			
Instruction	22,847	1,632	21,215
Cash Receipts Over (Under) Expenditures	3,797		
Unencumbered Cash, Beginning	1,632		
Unencumbered Cash, Ending	\$ 5,429		

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

UNIFIED SCHOOL DISTRICT NO. 242  
Weskan, Kansas  
Special Revenue Funds  
Statement of Cash Receipts and Expenditures - Actual  
For the Year Ended June 30, 2011

		<u>Actual</u>
<b>Contingency Reserve Fund</b>		
Cash Receipts	\$	<u>0</u>
Expenditures		<u>0</u>
Cash Receipts Over (Under) Expenditures		0
Unencumbered Cash, Beginning		<u>105,001</u>
Unencumbered Cash, Ending	\$	<u><u>105,001</u></u>
 <b>Textbook &amp; Student Material Revolving Fund</b>		
Cash Receipts:		
Fees	\$	<u>6,840</u>
Expenditures:		
Textbooks		<u>3,212</u>
Cash Receipts Over (Under) Expenditures		3,628
Unencumbered Cash, Beginning		<u>14,401</u>
Unencumbered Cash, Ending	\$	<u><u>18,029</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 242  
Weskan, Kansas  
Special Revenue Funds  
Federal Funds

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

	Title I	Title II-A	Title II-D	Serve America	REAP	Character Education	Total	Budget	Variance Over (Under)
Cash Receipts:									
Federal Aid	\$ 29,028	5,334	98	2,434	0	2,000	38,894	51,955	(13,061)
Expenditures:									
Instruction	29,028	5,334	0	2,434	14,045	2,000	52,841	51,955	886
Instructional Support Staff	0	0	98	0	0	0	98	0	98
Total Expenditures	29,028	5,334	98	2,434	14,045	2,000	52,939	51,955	984
Cash Receipts Over (Under) Expenditures	0	0	0	0	(14,045)	0	(14,045)		
Unencumbered Cash, Beginning	2	0	0	0	0	0	2		
Unencumbered Cash, Ending	\$ 2	0	0	0	(14,045)	0	(14,043)		

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

Weskan, Kansas

Agency Funds

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

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
<b>Student Organizations</b>				
High School:				
Class of 2010	\$ 2,101	0	1,037	1,064
Class of 2011	16,621	5,446	20,804	1,263
Class of 2012	3,149	22,509	9,763	15,895
Class of 2013	600	3,242	2,007	1,835
Class of 2014	27	3,673	1,851	1,849
Cheerleaders	2,779	2,826	2,219	3,386
National Honor Society	576	0	91	485
Student Council	280	0	152	128
Art Club	36	558	544	50
Science Club	40	0	0	40
Middle School:				
Class of 2015	0	20	0	20
Cheerleaders	629	759	1,098	290
	<u>629</u>	<u>759</u>	<u>1,098</u>	<u>290</u>
Totals	\$ <u>26,838</u>	<u>39,033</u>	<u>39,566</u>	<u>26,305</u>

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

UNIFIED SCHOOL DISTRICT NO. 242

STATEMENT 5

Westkan, Kansas

District Activity Funds

Statement of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Year Ended June 30, 2011

Fund	Unencumbered Beginning Cash Balance	Cash Receipts	Expenditures	Unencumbered Ending Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Gate Receipts</b>						
Athletics	\$ 1,704	17,174	18,131	747	0	747
Drama	1,842	518	750	1,610	0	1,610
<b>School Projects</b>						
Concessions/Vending	1,183	60	62	1,181	0	1,181
Academic Awareness	1,610	1,740	2,291	1,059	0	1,059
Balloon Business	3,819	1,380	1,614	3,585	0	3,585
Elementary Store	321	1,278	819	780	0	780
Music	807	75	0	882	0	882
Library	4,016	1,220	1,374	3,862	0	3,862
Publications	6,974	4,235	3,982	7,227	0	7,227
<b>Total District Activity Funds</b>	<b>\$ 22,276</b>	<b>27,680</b>	<b>29,023</b>	<b>20,933</b>	<b>0</b>	<b>20,933</b>

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

UNIFIED SCHOOL DISTRICT NO. 242  
Weskan, Kansas  
Notes to the Financial Statements  
June 30, 2011

**1. Summary of Significant Accounting Policies**

**Reporting Entity**

Unified School District No. 242, Weskan, 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.

Accounting principles generally accepted in the United States of America 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 body.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that as of and for the year end June 30, 2011, Unified School District No. 242, Weskan, Kansas, did not have any component units, which would be required to be reported.

**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 Type 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 major capital projects) that are restricted by law or administrative action to expended for specified purposes.

Fiduciary Type Funds:

Agency Funds-- to account for assets held by the District in a purely custodial capacity for individuals, private organizations, other governmental units, and/or other funds.

**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 evidence 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 would be 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 accounting 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 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, 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.

### **Reimbursements**

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.

### **Inventories and Prepaid Expenses**

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

## **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. 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 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 increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The General Fund budget was amended for the year ended June 30, 2011.

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

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

Contingency Reserve Fund	District Activity Funds
Textbook & Student Material Revolving Fund	Federal Funds

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  $\frac{1}{2}$  on December 20th and  $\frac{1}{2}$  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 practical 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. Compensated Absences

Certified full time employees earn sick leave each year based on the following guidelines:

Four Day Week School Year	8 days
Five Day Week School Year	10 days

Sick leave accumulates to the maximum of forty-four days. Each certified full time employee is allowed two days of personal leave and one professional day each year.

Full time non-certified employees earn ten contract days of sick leave per year, accumulative to forty days.

See Note 12 Long-Term Debt for additional information.

## 5. Defined Benefit Pension Plan

Plan description. The Unified School District No. 242, Weskan, Kansas, 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 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary for active members hired before July 1, 2009. For active members employed on or after July 1, 2009, K.S.A. 74-49,210 establishes the KPERs member-employee contribution rate at 6% of covered salaries. 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 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 thru June 30, 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, 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 \$49,064, \$59,833, and \$59,105, respectively.

## 6. Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on 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 the federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the District's carrying amount of deposits, including certificates of deposits, was \$397,257 and the bank balance was \$520,378. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance of \$270,378 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

## 7. Interfund Transfers

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas Statutes. The District's operating transfers and statutory authority for June 30, 2011, were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Statute</u>
General Fund	At Risk Fund (K-12)	\$ 13,500	K.S.A. 72-6428
General Fund	Bilingual Education Fund	14,000	K.S.A. 72-6428
General Fund	Capital Outlay Fund	88,871	K.S.A. 72-6428
General Fund	Food Service Fund	5,000	K.S.A. 72-6428
General Fund	Special Education Fund	97,646	K.S.A. 72-6428
General Fund	Vocational Education Fund	3,600	K.S.A. 72-6428
Supplemental General Fund	At Risk Fund (K-12)	57,242	K.S.A. 72-6433
Supplemental General Fund	Bilingual Education Fund	9,434	K.S.A. 72-6433
Supplemental General Fund	Food Service Fund	46,577	K.S.A. 72-6433
Supplemental General Fund	Vocational Education Fund	5,610	K.S.A. 72-6433
Supplemental General Fund	Professional Development Fund	2,000	K.S.A. 72-6433
Supplemental General Fund	Special Education Fund	30,000	K.S.A. 72-6433

## 8. Risk Management

Unified School District No. 242, Weskan, Kansas, 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 purchased commercial insurance.

During the year ended June 30, 2011, the District did not reduce insurance coverage from levels in place during the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **9. Statutory Compliance**

### **Cash Violation**

K.S.A. 10-1113 requires each fund to comply with the cash-basis laws of the State of Kansas. That is, no commitments or indebtedness should be incurred unless there is available cash in the fund. The General Fund and the Supplemental General Fund incurred indebtedness in excess of the available cash balances. The General Fund and Supplemental 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 and Supplemental General Fund of \$84,124 and \$7,178, respectively, 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.

K.S.A. 10-1113 requires each fund to comply with the cash-basis laws of the State of Kansas. That is, no commitments or indebtedness should be incurred unless there is available cash in the fund. Federal Funds incurred indebtedness in excess of the available cash balance by \$14,043. This appears to be a violation of this statute. However, K.S.A. 12-1664 allows a deficit unencumbered cash balance for federal aid funds, so the deficit cash balance in these funds are not a statutory violation. This deficit was eliminated on July 21, 2011, when the federal aid was received.

### **Other Compliance**

K.S.A. 9-1402 requires that all public funds be secured by one of the following methods: 1) A personal bond in double the amount which may be on deposit at any given time, 2) A corporate surety bond of a surety company authorized to do business in Kansas in an amount equal to deposits at any given time less amounts insured by the federal deposit insurance corporation, or 3) Pledging, assigning, and granting a security interest in securities the market value of which is equal to 100% of total deposits at any given time. The accounts on deposit at Eastern Colorado Bank for the months of August, 2010, through January, 2011, were not adequately secured by the fair market value of the pledged securities maintained for these deposits, which is a violation of the statute.

## **10. 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 of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

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.

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

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

UNIFIED SCHOOL DISTRICT NO. 242  
 STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET  
 FOR THE YEAR ENDED JUNE 30, 2011

GENERAL FUND

	Statutory Transactions	Budget	Variance Over (Under)
Statutory Revenues:			
Ad Valorem Tax:			
Tax in Process	\$ 2,073	971	1,102
Current Tax	146,363	142,117	4,246
Delinquent Tax	542	1,423	(881)
Federal ARRA Stabilization Aid	19,635	19,635	0
Federal Education Jobs Aid	34,381	0	34,381
State Equalization Aid	779,658	838,029	(58,371)
Special Education Aid	87,228	87,825	(597)
Mineral Tax	6,496	0	6,496
Reimbursements	13,590	0	13,590
	<u>1,089,966</u>	<u>1,090,000</u>	<u>(34)</u>
Total Statutory Revenues			
Expenditures:			
Instruction	552,859	579,830	(26,971)
Student Support Services	15,821	15,475	346
Instruction Support Staff	9,122	9,075	47
General Administration	81,431	89,770	(8,339)
School Administration	97,229	95,452	1,777
Operations & Maintenance	70,488	88,030	(17,542)
Operations & Maintenance - Transportation	0	6,776	(6,776)
Student Transportation - Supervision	1,431	1,932	(501)
Vehicle Operating Services	38,968	38,593	375
Transfer to At Risk Fund (K-12)	13,500	5,000	8,500
Transfer to Bilingual Education Fund	14,000	20,000	(6,000)
Transfer to Capital Outlay Fund	88,871	6,242	82,629
Transfer to Food Service Fund	5,000	40,000	(35,000)
Transfer to Special Education Fund	97,646	87,825	9,821
Transfer to Vocational Education Fund	3,600	6,000	(2,400)
Adjustment to Comply with Legal Max	0	(13,624)	13,624
	<u>1,089,966</u>	<u>1,076,376</u>	<u>13,590</u>
Legal General Fund Budget			
Adjustment for Qualifying Budget Credits			
Reimbursements	0	13,590	(13,590)
	<u>0</u>	<u>13,590</u>	<u>(13,590)</u>
Total Expenditures			
	<u>1,089,966</u>	<u>1,089,966</u>	<u>0</u>
Statutory Revenues Over (Under) Expenditures			
	0		
Modified Unencumbered Cash, July 1, 2010	<u>0</u>		
Modified Unencumbered Cash, June 30, 2011	<u>\$ 0</u>		

UNIFIED SCHOOL DISTRICT NO. 242  
 STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET  
 FOR THE YEAR ENDED JUNE 30, 2011

SUPPLEMENTAL GENERAL FUND

	Statutory Transactions	Budget	Variance Over (Under)
Statutory Revenues:			
Ad Valorem Tax:			
Tax in Process	\$ 4,274	2,406	1,868
Current Tax	211,810	202,641	9,169
Delinquent Tax	1,005	2,695	(1,690)
Motor Vehicle Tax	16,898	19,378	(2,480)
Recreational Vehicle Tax	120	142	(22)
Supplemental State Aid	120,820	121,215	(395)
Reimbursements	2,882	0	2,882
	<u>357,809</u>	<u>348,477</u>	<u>9,332</u>
Total Statutory Revenues			
Expenditures:			
Instruction	96,701	143,760	(47,059)
Student Support Services	5,196	17,000	(11,804)
Instructional Support Staff	338	6,200	(5,862)
General Administration	15,619	16,000	(381)
School Administration	865	1,000	(135)
Operation & Maintenance	70,291	84,715	(14,424)
Vehicle Operating Services	17,381	25,697	(8,316)
Transfer to At Risk Fund (K - 12)	57,242	60,000	(2,758)
Transfer to Bilingual Education Fund	9,434	0	9,434
Transfer to Food Service Fund	46,577	0	46,577
Transfer to Professional Development Fund	2,000	0	2,000
Transfer to Vocational Education Fund	5,610	0	5,610
Transfer to Special Education Fund	30,000	0	30,000
	<u>357,254</u>	<u>354,372</u>	<u>2,882</u>
Legal Supplemental General Fund Budget			
Adjustment for Qualifying Budget Credits			
Reimbursements	0	2,882	(2,882)
	<u>357,254</u>	<u>357,254</u>	<u>0</u>
Total Expenditures			
Statutory Revenues Over (Under) Expenditures	555		
Modified Unencumbered Cash, July 1, 2010	<u>5,894</u>		
Modified Unencumbered Cash, June 30, 2011	<u>\$ 6,449</u>		

**12. Long-Term Debt**

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

Issue	Interest Rates	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Capital Leases Payable									
Canon Copier	7.610%	\$ 14,238	2010	2,025	-	2,025		-	45
Computers	6.005%	24,875	2011	8,347	-	8,347		-	431
Computers	5.139%	9,217	2013	5,521	-	1,749		3,772	281
Total Contractual Indebtedness				15,893	-	12,121		3,772	757
Compensated Absences				94,422			1,439	95,861	
Total Long-Term Debt				\$ 110,315	-	12,121	1,439	99,633	757

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

	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>Total</u>
<b>PRINCIPAL</b>				
Capital Leases Payable	\$ -	1,839	1,933	<u>3,772</u>
<b>INTEREST</b>				
Capital Leases Payable	-	193	99	<u>292</u>
<b>TOTAL PRINCIPAL AND INTEREST</b>	<u>\$ -</u>	<u>2,032</u>	<u>2,032</u>	<u>4,064</u>

**13. KPERS Special Retirement Contribution Fund**

The KPERS Special Retirement Contribution Fund, as shown below, reflects all state aid for the fiscal year ended June 30, 2011, as confirmed by the Kansas State Department of Education. This presentation excludes the January and April 2010 state aid payments of \$15,022 and \$14,905 received on July 7 and July 8, 2010, respectively.

UNIFIED SCHOOL DISTRICT NO. 242  
REVENUES AND EXPENDITURES - FISCAL YEAR AND BUDGET  
FOR THE YEAR ENDED JUNE 30, 2011

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

	<u>Fiscal Year Transactions</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Revenues:			
State Contributions to KPERS	\$ <u>49,064</u>	<u>66,414</u>	<u>(17,350)</u>
Expenditures:			
Instruction	40,304	55,000	(14,696)
General Administration	1,781	2,000	(219)
School Administration	2,944	4,000	(1,056)
Operation & Maintenance	2,908	5,414	(2,506)
Food Service	1,127	0	1,127
Total Expenditures	<u>49,064</u>	<u>66,414</u>	<u>(17,350)</u>
Revenues Over (Under) Expenditures	0		
Modified Unencumbered Cash, July 1, 2010	<u>0</u>		
Modified Unencumbered Cash, June 30, 2011	<u>\$ 0</u>		