

**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas

Statutory Basis Financial Statements and  
Independent Auditors' Reports  
With Federal Compliance Section

For the Fiscal Year Ended June 30, 2011

**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas

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Arma, Kansas

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**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Unified School District #246  
Arma, Kansas

We have audited the accompanying financial statements of the Unified School District #246, Arma, Kansas, as of and for the fiscal year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Unified School District #246's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's June 30, 2010 financial statements and, in our report dated December 29, 2010, we expressed an unqualified opinion on the financial statements of the Unified School District #246, prepared in accordance with the statutory basis of accounting.

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.

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.

In our opinion, because of the effects of the matter discussed in the preceding paragraphs, 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 #246, Arma, Kansas, as of June 30, 2011, the changes in its financial position, or where applicable, its cash flows for the fiscal year then ended.

Board of Education  
Unified School District #246  
Arma, Kansas

Also, in our opinion, except for the July 2011 receipt of the final state aid payment for the fiscal year ended June 30, 2011, being recorded in June 2011, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the District, as of June 30, 2011, and its cash receipts and expenditures, and budget to actual comparisons for the fiscal 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 reports dated November 23, 2011, on our consideration of the Unified School District #246'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 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. 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 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 as a whole.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

November 23, 2011  
Chanute, Kansas

**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas

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

Funds	Beginning Unencumbered Cash Balances		Cash Receipts	Expenditures	Ending Unencumbered Cash Balances		Plus Encumbrances and Accounts Payable	Ending Cash Balances June 30,	
	2010	2011			2010	2011		2010	2011
GOVERNMENTAL TYPE FUNDS									
General Fund	\$	0.22	\$ 4,445,457.53	\$ 4,445,457.35	\$	0.40	\$ 412,746.08	\$	431,599.94
Supplemental General		8,752.76	1,334,782.27	1,321,033.49		22,501.54	99,513.03		379,088.04
Special Revenue Funds		-				-			-
4 Yr Old At-Risk		-	32,960.00	32,960.00		-			-
K-12 At-Risk		1,025.14	763,971.68	764,996.82		-			1,025.14
Capital Outlay		381,450.34	340,662.24	36,410.94		685,701.64			381,450.34
Driver Training		17,699.06	5,465.00	5,569.71		17,594.35	399.98		17,699.06
Food Service		159,598.29	410,675.74	420,916.01		149,358.02			163,598.29
Professional Development		36,010.40	35,000.00	14,249.42		56,760.98			36,165.16
Special Education		269,669.00	728,566.20	699,762.71		298,472.49	179.40		269,669.00
Vocational Education		83.37	-	83.37		-			18,383.37
KPERS Special Retirement Contributions		-	200,485.46	200,485.46		-			-
Contingency Reserve		357,049.87	-	-		357,049.87			357,049.87
Textbook and Student Material		5,953.92	19,498.00	20.00		25,431.92			5,953.92
Rural & Small School Grant		-	5,596.72	5,596.72		-			-
Lowe's Education Grant		-	-	-		-			-
Title I ARRA		-	71,953.00	71,953.00		-	12,633.34		7,151.99
Title I		10,977.41	196,606.00	207,991.18		(407.77)	25,178.34		32,481.37
Title II - Improving Teacher Quality		-	44,249.00	45,202.00		(953.00)	6,325.00		7,766.79
Title II - Technology Literacy Challenge		-	5,089.00	5,089.00		-			1,797.00
Project Care		8,500.74	13,511.83	8,194.94		13,817.63			8,500.74

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

Statement 1 (Continued)

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

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

Funds	Beginning Unencumbered Cash Balances		Cash Receipts	Expenditures	Ending Unencumbered Cash Balances		Plus Encumbrances and Accounts Payable	Ending Cash Balances June 30,	
	2011	2010			2011	2010			
Special Revenue Funds (Continued)									
Gate Receipts	\$ 7,257.74	\$	\$ 20,456.94	\$ 23,155.78	\$ 4,558.90	\$	-	\$ 4,558.90	\$ 7,985.89
Debt Service Fund									
Bond and Interest	482,707.93		3,389,762.84	3,380,896.90	491,573.87		-	491,573.87	482,707.93
Total Reporting Entity	\$ 1,746,736.19	\$	\$ 12,064,749.45	\$ 11,690,024.80	\$ 2,121,460.84	\$	556,975.17	\$ 2,678,436.01	\$ 2,610,073.84
Composition of Cash									
General Checking Account.....								\$ 1,520,877.11	\$ 2,199,087.95
District Petty Cash Checking Accounts.....								3,000.00	3,000.00
Certificate of Deposit.....								1,150,000.00	400,000.00
Activity Checking Accounts.....								43,109.41	53,796.23
Total Cash								2,716,986.52	2,655,884.18
Less Agency Funds per Statement 4								(38,550.51)	(45,810.34)
Total Reporting Entity.....								\$ 2,678,436.01	\$ 2,610,073.84

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

(Budgeted Funds Only)

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

Funds	Certified Budget	Adjustments to		Total Budget for Comparison	Expenditures		Variance - Over (Under)
		Comply with Legal Maximum	Adjustments for Qualifying Budget Credits		Charged to Current Year Budget	Over (Under)	
<b>GOVERNMENTAL TYPE FUNDS</b>							
General Fund	\$ 4,665,154.00	\$ (237,997.00)	\$ 18,300.35	\$ 4,445,457.35	\$ 4,445,457.35	\$ -	
Supplemental General	1,340,000.00	-	-	1,340,000.00	1,321,033.49	(18,966.51)	
Special Revenue Funds							
4 Yr. Old At-Risk	40,000.00	-	-	40,000.00	32,960.00	(7,040.00)	
K-12 At-Risk	812,000.00	-	-	812,000.00	764,996.82	(47,003.18)	
Capital Outlay	400,000.00	-	-	400,000.00	36,410.94	(363,589.06)	
Driver Training	13,475.00	-	-	13,475.00	5,569.71	(7,905.29)	
Food Service	500,000.00	-	-	500,000.00	420,916.01	(79,083.99)	
Professional Development	43,200.00	-	-	43,200.00	14,249.42	(28,950.58)	
Special Education	818,000.00	-	-	818,000.00	699,762.71	(118,237.29)	
Vocational Education	83.00	-	-	83.00	83.37	0.37	
KPERS Special Retirement Contributions	322,268.00	-	-	322,268.00	200,485.46	(121,782.54)	
Debt Service Fund							
Bond and Interest	348,478.00	-	3,032,519.40	3,380,997.40	3,380,896.90	(100.50)	

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



**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**GENERAL FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem Tax	\$ 239,618.87	\$ 231,641.79	\$ 224,692.00	\$ 6,949.79
Delinquent Tax	9,232.35	14,455.39	8,251.00	6,204.39
State Sources				
General State Aid	3,638,457.00	3,461,049.00	3,850,733.00	(389,684.00)
Special Education Aid	439,949.00	493,337.00	499,084.00	(5,747.00)
Federal Sources				
ARRA Stabilization Aid	216,714.00	82,397.00	82,397.00	-
Education Jobs Grant	-	144,277.00	-	144,277.00
Other Revenues				
Reimbursed Expenses	20,842.59	18,300.35	-	18,300.35
<b>Total Cash Receipts</b>	<b>4,564,813.81</b>	<b>4,445,457.53</b>	<b>\$ 4,665,157.00</b>	<b>\$ (219,699.47)</b>
Expenditures				
Instruction	1,596,640.82	1,872,336.24	\$ 1,692,258.00	\$ 180,078.24
Support Services				
Student Support	146,918.41	150,588.83	235,250.00	(84,661.17)
Instructional Support	207,090.68	226,724.13	256,750.00	(30,025.87)
General Administration	299,919.68	284,150.17	366,500.00	(82,349.83)
School Administration	426,617.26	327,193.54	516,262.00	(189,068.46)
Operations and Maintenance	319,239.08	343,668.93	361,300.00	(17,631.07)
Vehicle Operating Services	135,064.20	150,400.04	215,750.00	(65,349.96)
Operating Transfers to :				
K-12 At-Risk Fund	750,000.00	447,613.58	522,000.00	(74,386.42)
4 Year Old At-Risk Fund	-	32,960.00	-	32,960.00

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

**UNIFIED SCHOOL DISTRICT #246  
Arma, Kansas  
GENERAL FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Operating Transfers to : (Continued)				
Special Education Fund	\$ 551,532.73	\$ 292,878.63	\$ 499,084.00	\$ (206,205.37)
Contingency Reserve	131,790.73	-	-	-
Capital Outlay	-	316,943.26	-	316,943.26
Total Certified Budget			4,665,154.00	(219,696.65)
Adjustments to Budget				
Adjustment to Comply with Legal Maximum Budget			(237,997.00)	237,997.00
Adjustment for Qualifying Budget Credits			18,300.35	(18,300.35)
Total Expenditures	4,564,813.59	4,445,457.35	\$ 4,445,457.35	\$ -
Receipts Over (Under) Expenditures	0.22	0.18		
Unencumbered Cash, Beginning	-	0.22		
Unencumbered Cash, Ending	\$ 0.22	\$ 0.40		

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**SUPPLEMENTAL GENERAL FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem Tax	\$ 376,598.83	\$ 353,043.50	\$ 405,608.00	\$ (52,564.50)
Delinquent Tax	14,118.11	19,227.05	13,363.00	5,864.05
County Sources				
Motor Vehicle Tax	83,890.69	89,735.84	97,145.00	(7,409.16)
Recreational Vehicle Tax	855.21	1,156.55	973.00	183.55
16 & 20 M Truck	2,995.50	2,872.33	-	2,872.33
State Sources				
Supplemental State Aid	638,285.00	868,747.00	871,590.00	(2,843.00)
Federal Sources				
ARRA Stabilization Aid	216,863.00	-	-	-
<b>Total Cash Receipts</b>	<b>1,333,606.34</b>	<b>1,334,782.27</b>	<b>\$ 1,388,679.00</b>	<b>\$ (53,896.73)</b>
Expenditures				
Instruction	269,764.73	102,907.93	\$ 324,000.00	\$ (221,092.07)
Support Services				
Student Support	4,781.67	-	-	-
Instructional Support	83,875.85	75,129.34	100,000.00	(24,870.66)
General Administration	12,916.67	24,012.41	-	24,012.41
School Administration	31,467.96	-	-	-
Operations and Maintenance	567,938.92	238,904.65	355,500.00	(116,595.35)
Operating Transfers to :				
Food Service Fund	88,000.00	81,033.49	110,000.00	(28,966.51)
Professional Development	20,000.00	35,000.00	7,500.00	27,500.00
Special Education Fund	82,464.66	435,687.57	153,000.00	282,687.57
Textbook and Student Material Fu	-	12,000.00	-	12,000.00
Vocational Education Fund	142,100.54	-	-	-
4 Year Old At-Risk Fund	33,589.00	-	40,000.00	(40,000.00)
K-12 At-Risk Fund	3,100.00	316,358.10	250,000.00	66,358.10
<b>Total Expenditures</b>	<b>1,340,000.00</b>	<b>1,321,033.49</b>	<b>\$ 1,340,000.00</b>	<b>\$ (18,966.51)</b>
Receipts Over (Under) Expenditures	(6,393.66)	13,748.78		
Unencumbered Cash, Beginning	15,146.42	8,752.76		
Unencumbered Cash, Ending	\$ 8,752.76	\$ 22,501.54		

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

**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas

**4 YEAR OLD AT-RISK FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Operating Transfers from:				
General Fund	\$ -	\$ 32,960.00	\$ -	\$ 32,960.00
Supplemental General Fund	33,589.00	-	40,000.00	(40,000.00)
Total Cash Receipts	33,589.00	32,960.00	\$ 40,000.00	\$ (7,040.00)
Expenditures				
Instruction	33,589.00	32,960.00	\$ 40,000.00	\$ (7,040.00)
Total Expenditures	33,589.00	32,960.00	\$ 40,000.00	\$ (7,040.00)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		

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

**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas  
**K-12 AT-RISK FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ 40,000.00	\$ (40,000.00)
Operating Transfers from:				
General Fund	750,000.00	447,613.58	522,000.00	(74,386.42)
Supplemental General Fund	3,100.00	316,358.10	250,000.00	66,358.10
<b>Total Cash Receipts</b>	<b>753,100.00</b>	<b>763,971.68</b>	<b>\$ 812,000.00</b>	<b>\$ (48,028.32)</b>
Expenditures				
Instruction	752,715.70	764,996.82	\$ 812,000.00	\$ (47,003.18)
<b>Total Expenditures</b>	<b>752,715.70</b>	<b>764,996.82</b>	<b>\$ 812,000.00</b>	<b>\$ (47,003.18)</b>
Receipts Over (Under) Expenditures	384.30	(1,025.14)		
Unencumbered Cash, Beginning	640.84	1,025.14		
Unencumbered Cash, Ending	\$ 1,025.14	\$ -		

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**CAPITAL OUTLAY FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Interest on Idle Funds	\$ 9,299.11	\$ 10,056.88	\$ 20,000.00	\$ (9,943.12)
Miscellaneous Revenue	53,982.53	13,662.10	40,000.00	(26,337.90)
Operating Transfers from:				
General Fund	-	316,943.26	-	316,943.26
Total Cash Receipts	<u>63,281.64</u>	<u>340,662.24</u>	<u>\$ 60,000.00</u>	<u>\$ 280,662.24</u>
Expenditures				
Instruction	-	-	\$ 50,000.00	\$ (50,000.00)
Support Services				
School Administration	1,476.30	543.75	-	543.75
Operations and Maintenance	15,817.05	15,210.92	70,000.00	(54,789.08)
Facility Acquisition and Construction Services				
Site Improvement Services	-	10.50	15,000.00	(14,989.50)
New Building Acquisition and Construction	-	-	10,000.00	(10,000.00)
Building Improvements	9,478.48	20,645.77	255,000.00	(234,354.23)
Total Expenditures	<u>26,771.83</u>	<u>36,410.94</u>	<u>\$ 400,000.00</u>	<u>\$ (363,589.06)</u>
Receipts Over (Under) Expenditures	36,509.81	304,251.30		
Unencumbered Cash, Beginning	<u>344,940.53</u>	<u>381,450.34</u>		
Unencumbered Cash, Ending	<u>\$ 381,450.34</u>	<u>\$ 685,701.64</u>		

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

**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas  
**DRIVER TRAINING FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
State Sources				
State Aid	\$ -	\$ 5,465.00	\$ 1,400.00	\$ 4,065.00
Total Cash Receipts	-	5,465.00	\$ 1,400.00	\$ 4,065.00
Expenditures				
Instruction	-	5,169.73	\$ 9,975.00	\$ (4,805.27)
Support Services				
Vehicle Operating Services	-	399.98	3,500.00	(3,100.02)
Total Expenditures	-	5,569.71	\$ 13,475.00	\$ (7,905.29)
Receipts Over (Under) Expenditures	-	(104.71)		
Unencumbered Cash, Beginning	17,699.06	17,699.06		
Unencumbered Cash, Ending	\$ 17,699.06	\$ 17,594.35		

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**FOOD SERVICE FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Food Service Sales	\$ 63,931.98	\$ 69,884.46	\$ 65,492.00	\$ 4,392.46
Miscellaneous	3,407.88	2,202.10	-	2,202.10
State Sources				
Food Service Aid	3,438.12	3,303.92	2,767.00	536.92
Federal Sources				
Child Nutrition Aid	265,380.87	254,251.77	229,582.00	24,669.77
Operating Transfers from:				
Supplemental General Fund	88,000.00	81,033.49	110,000.00	(28,966.51)
<b>Total Cash Receipts</b>	<b>424,158.85</b>	<b>410,675.74</b>	<b>\$ 407,841.00</b>	<b>\$ 2,834.74</b>
Expenditures				
Support Services				
Operations and Maintenance	13,550.54	13,323.19	\$ 23,000.00	\$ (9,676.81)
Operation of Non- Instructional Services				
Food Service Operations	414,048.11	407,592.82	477,000.00	(69,407.18)
<b>Total Expenditures</b>	<b>427,598.65</b>	<b>420,916.01</b>	<b>\$ 500,000.00</b>	<b>\$ (79,083.99)</b>
Receipts Over (Under) Expenditures	(3,439.80)	(10,240.27)		
Unencumbered Cash, Beginning	163,038.09	159,598.29		
Unencumbered Cash, Ending	<u>\$ 159,598.29</u>	<u>\$ 149,358.02</u>		

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



**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**PROFESSIONAL DEVELOPMENT FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Operating Transfers from:				
Supplemental General Fund	\$ 20,000.00	\$ 35,000.00	\$ 7,500.00	\$ 27,500.00
Total Cash Receipts	<u>20,000.00</u>	<u>35,000.00</u>	<u>\$ 7,500.00</u>	<u>\$ 27,500.00</u>
Expenditures				
Support Services				
Instructional Support	<u>20,902.30</u>	<u>14,249.42</u>	<u>\$ 43,200.00</u>	<u>\$ (28,950.58)</u>
Total Expenditures	<u>20,902.30</u>	<u>14,249.42</u>	<u>\$ 43,200.00</u>	<u>\$ (28,950.58)</u>
Receipts Over (Under) Expenditures	(902.30)	20,750.58		
Unencumbered Cash, Beginning	<u>36,912.70</u>	<u>36,010.40</u>		
Unencumbered Cash, Ending	<u>\$ 36,010.40</u>	<u>\$ 56,760.98</u>		

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**SPECIAL EDUCATION FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Operating Transfers from:				
General Fund	\$ 551,532.73	\$ 292,878.63	\$ 499,084.00	\$ (206,205.37)
Supplemental General Fund	82,464.66	435,687.57	153,000.00	282,687.57
Total Cash Receipts	<u>633,997.39</u>	<u>728,566.20</u>	<u>\$ 652,084.00</u>	<u>\$ 76,482.20</u>
Expenditures				
Instruction	522,069.00	586,432.40	\$ 562,500.00	\$ 23,932.40
Support Services				
Instructional Support	875.00	2,632.54	2,500.00	132.54
Vehicle Operating Services	87,873.02	110,697.77	253,000.00	(142,302.23)
Total Expenditures	<u>610,817.02</u>	<u>699,762.71</u>	<u>\$ 818,000.00</u>	<u>\$ (118,237.29)</u>
Receipts Over (Under) Expenditures	23,180.37	28,803.49		
Unencumbered Cash, Beginning	<u>246,488.63</u>	<u>269,669.00</u>		
Unencumbered Cash, Ending	<u>\$ 269,669.00</u>	<u>\$ 298,472.49</u>		

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

**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas

**VOCATIONAL EDUCATION FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Other Revenues				
Miscellaneous Revenue	\$ 2,071.85	\$ -	\$ -	\$ -
Operating Transfers from:				
Supplemental General Fund	142,100.54	-	-	-
<b>Total Cash Receipts</b>	<b>144,172.39</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>
Expenditures				
Instruction	144,976.69	83.37	\$ 83.00	\$ 0.37
<b>Total Expenditures</b>	<b>144,976.69</b>	<b>83.37</b>	<b>\$ 83.00</b>	<b>\$ 0.37</b>
Receipts Over (Under) Expenditures	(804.30)	(83.37)		
Unencumbered Cash, Beginning	887.67	83.37		
Unencumbered Cash, Ending	<u>\$ 83.37</u>	<u>\$ -</u>		

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**KPERS SPECIAL RETIREMENT CONTRIBUTIONS FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
State Sources				
KPERS Contributions	\$ 268,556.32	\$ 200,485.46	\$ 322,268.00	\$ (121,782.54)
Total Cash Receipts	<u>268,556.32</u>	<u>200,485.46</u>	<u>\$ 322,268.00</u>	<u>\$ (121,782.54)</u>
Expenditures				
Instruction	182,893.72	129,762.18	\$ 213,978.00	\$ (84,215.82)
Support Services				
Student Support	12,466.27	7,939.28	15,386.00	(7,446.72)
Instructional Support	13,223.33	10,805.90	17,264.00	(6,458.10)
General Administration	9,296.45	9,860.65	12,314.00	(2,453.35)
School Administration	23,284.14	14,756.06	26,473.00	(11,716.94)
Operations and Maintenance	13,269.30	14,215.36	16,134.00	(1,918.64)
Student Transportation Services	5,336.38	5,532.14	8,376.00	(2,843.86)
Food Service	8,786.73	7,613.89	12,343.00	(4,729.11)
Total Expenditures	<u>268,556.32</u>	<u>200,485.46</u>	<u>\$ 322,268.00</u>	<u>\$ (121,782.54)</u>
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**CONTINGENCY RESERVE FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	<u>Prior</u> <u>Year</u> <u>Actual</u>	<u>Current</u> <u>Year</u> <u>Actual</u>
Cash Receipts		
Operating Transfers from:		
General Fund	\$ 131,790.73	\$ -
Total Cash Receipts	<u>131,790.73</u>	<u>-</u>
Expenditures		
Instruction	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	131,790.73	-
Unencumbered Cash, Beginning	<u>225,259.14</u>	<u>357,049.87</u>
Unencumbered Cash, Ending	<u>\$ 357,049.87</u>	<u>\$ 357,049.87</u>

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**TEXTBOOK AND STUDENT MATERIAL FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Rental Fees	\$ 5,953.92	\$ 7,498.00
Operating Transfers from:		
Supplemental General Fund	-	12,000.00
Total Cash Receipts	5,953.92	19,498.00
Expenditures		
Instruction	-	20.00
Total Expenditures	-	20.00
Receipts Over (Under) Expenditures	5,953.92	19,478.00
Unencumbered Cash, Beginning	-	5,953.92
Unencumbered Cash, Ending	\$ 5,953.92	\$ 25,431.92

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**RURAL & SMALL SCHOOL GRANT FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Grants	\$ 9,167.01	\$ 5,596.72
Total Cash Receipts	9,167.01	5,596.72
Expenditures		
Instruction	9,167.01	5,596.72
Total Expenditures	9,167.01	5,596.72
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ -

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

**UNIFIED SCHOOL DISTRICT #246**  
 Arma, Kansas

**LOWE'S EDUCATION GRANT FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	<u>Prior</u> <u>Year</u> <u>Actual</u>	<u>Current</u> <u>Year</u> <u>Actual</u>
Cash Receipts		
Local Sources		
Donations	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures		
Support Services		
General Administration	46.32	-
Total Expenditures	46.32	-
Receipts Over (Under) Expenditures	(46.32)	-
Unencumbered Cash, Beginning	46.32	-
Unencumbered Cash, Ending	\$ -	\$ -

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



**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**TITLE I ARRA FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	\$ 54,275.00	\$ 71,953.00
Total Cash Receipts	54,275.00	71,953.00
Expenditures		
Instruction	54,275.00	71,953.00
Total Expenditures	54,275.00	71,953.00
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ -

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**TITLE I FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
State Sources		
State Aid	\$ 186,966.00	\$ 196,606.00
 Total Cash Receipts	186,966.00	196,606.00
 Expenditures		
Instruction	188,385.66	207,991.18
 Total Expenditures	188,385.66	207,991.18
 Receipts Over (Under) Expenditures	(1,419.66)	(11,385.18)
 Unencumbered Cash, Beginning	12,397.07	10,977.41
 Unencumbered Cash, Ending	\$ 10,977.41	\$ (407.77)

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**TITLE II - IMPROVING TEACHER QUALITY FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	\$ 45,590.00	\$ 44,249.00
Total Cash Receipts	45,590.00	44,249.00
Expenditures		
Instruction	45,590.00	45,202.00
Total Expenditures	45,590.00	45,202.00
Receipts Over (Under) Expenditures	-	(953.00)
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ (953.00)

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**TITLE II-TECHNOLOGY LITERACY CHALLENGE FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	\$ 1,797.00	\$ 670.00
Federal Aid - ARRA	-	4,419.00
Total Cash Receipts	<u>1,797.00</u>	<u>5,089.00</u>
Expenditures		
Instruction	<u>1,797.00</u>	<u>5,089.00</u>
Total Expenditures	<u>1,797.00</u>	<u>5,089.00</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**PROJECT CARE FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Payments From Parents	\$ 11,944.50	\$ 11,170.26
Payments From SRS	2,697.58	2,341.57
Total Cash Receipts	<u>14,642.08</u>	<u>13,511.83</u>
Expenditures		
Support Services		
Student Support	<u>12,464.16</u>	<u>8,194.94</u>
Total Expenditures	<u>12,464.16</u>	<u>8,194.94</u>
Receipts Over (Under) Expenditures	2,177.92	5,316.89
Unencumbered Cash, Beginning	<u>6,322.82</u>	<u>8,500.74</u>
Unencumbered Cash, Ending	<u>\$ 8,500.74</u>	<u>\$ 13,817.63</u>

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

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**BOND AND INTEREST FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem Tax	\$ 105,271.13	\$ 116,250.90	\$ 114,977.00	\$ 1,273.90
Delinquent Tax	7,971.43	9,186.45	3,424.00	5,762.45
Bond Proceeds	-	3,032,519.40	-	3,032,519.40
County Sources				
Motor Vehicle Tax	49,512.27	41,448.41	44,316.00	(2,867.59)
Recreational Vehicle Tax	506.18	566.83	443.00	123.83
16 & 20M Truck	1,752.31	1,666.85	-	1,666.85
State Sources				
State Aid	183,859.00	188,124.00	188,124.00	-
<b>Total Cash Receipts</b>	<b>348,872.32</b>	<b>3,389,762.84</b>	<b>\$ 351,284.00</b>	<b>\$ 3,038,478.84</b>
Expenditures				
Debt Service				
Principal	185,000.00	3,150,000.00	\$ 195,000.00	\$ 2,955,000.00
Interest	161,902.50	165,199.87	153,378.00	11,821.87
Postage and Commissions	-	65,697.03	100.00	65,597.03
Total Certified Budget			348,478.00	
Adjustments to Budget				
Adjustment for Qualifying Budget Credits			3,032,519.40	(3,032,519.40)
<b>Total Expenditures</b>	<b>346,902.50</b>	<b>3,380,896.90</b>	<b>\$ 3,729,475.40</b>	<b>\$ (100.50)</b>
Receipts Over (Under) Expenditures	1,969.82	8,865.94		
Unencumbered Cash, Beginning	480,738.11	482,707.93		
Unencumbered Cash, Ending	<u>\$ 482,707.93</u>	<u>\$ 491,573.87</u>		

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

## UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

## AGENCY FUNDS

## Statement of Cash Receipts and Cash Disbursements

For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations				
High School				
Art	\$ 673.69	\$ -	\$ -	\$ 673.69
Band	0.57	-	-	0.57
Business	1,179.64	-	-	1,179.64
Drivers Education	1,334.00	-	-	1,334.00
Language Fund	3,320.26	6,509.00	5,959.81	3,869.45
LMC	40.02	94.39	-	134.41
Newspaper	650.55	-	-	650.55
Technologies	25.30	-	-	25.30
Vocal	737.30	137.35	79.00	795.65
Yearbook	2,311.66	8,017.90	10,186.25	143.31
Culinary Arts	602.91	595.00	796.93	400.98
Football	1,552.00	-	-	1,552.00
Baseball	736.15	4,161.50	4,089.17	808.48
Softball	111.92	1,805.79	1,917.71	-
Cheerleaders	1,909.92	6,774.81	6,139.98	2,544.75
Basketball - Boys	-	2,216.80	1,611.40	605.40
Basketball - Girls	-	1,150.00	859.80	290.20
FCCLA	1,150.31	1,541.23	1,687.45	1,004.09
National Honor	496.86	2,232.63	2,250.23	479.26
Student Council	3,310.15	15,101.97	16,428.66	1,983.46
Chess Club	-	146.61	-	146.61
Class of 2010	251.87	-	251.87	-
Class of 2011	101.19	4,172.91	4,274.10	-
FACS Work & Family	5.36	99.49	104.85	-
Keys	1,192.72	3,002.75	3,683.24	512.23
Beef Council	-	80.00	80.00	-
Intro to Business	488.29	2,301.70	2,077.01	712.98
Forensics	-	552.15	347.93	204.22
Class of 2012	1,252.06	2,799.70	4,050.26	1.50
Viking Industry	9,412.64	751.50	2,842.66	7,321.48
Awards	185.16	-	50.00	135.16
Scholars Bowl	270.66	-	-	270.66
Class of 2013	962.84	-	-	962.84

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

**Statement 4 (Continued)**

**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**AGENCY FUNDS**

Statement of Cash Receipts and Cash Disbursements

For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations				
High School (Continued)				
Class of 2014	\$ 500.00	\$ -	\$ -	\$ 500.00
Bedene Memorial	3.00	500.00	500.00	3.00
Grad Classes	682.85	712.27	321.28	1,073.84
Hutchison Memorial	104.73	-	-	104.73
Martin Scholarships	378.71	-	378.71	-
Respect Committ	8.35	-	-	8.35
Revolving	432.58	682.88	936.93	178.53
Burnick Scholarship	180.00	-	180.00	-
Simone Memorial	1,000.00	1,000.00	1,000.00	1,000.00
Sherri Collier	670.00	-	500.00	170.00
Middle School				
Sales Tax	87.72	445.87	487.00	46.59
Yearbook	3,998.95	1,973.16	3,276.62	2,695.49
Cheerleaders	517.23	911.60	205.14	1,223.69
Cheer Uniforms	431.00	200.00	631.00	-
Library	295.94	7,234.68	7,260.45	270.17
Band	28.12	-	-	28.12
Book Orders	0.45	9.00	9.45	-
Business 6/7	15.70	-	15.70	-
Youth Friends	688.00	-	688.00	-
Box Tops for Ed	636.51	224.40	510.89	350.02
Revolving	733.75	2,065.44	920.48	1,878.71
Schaub Wal-Mart	142.60	-	-	142.60
Student Incentive	8.15	740.65	615.00	133.80
Totals	<u>\$ 45,810.34</u>	<u>\$ 80,945.13</u>	<u>\$ 88,204.96</u>	<u>\$ 38,550.51</u>

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



**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

**DISTRICT ACTIVITY FUNDS**

Summary of Cash Receipts, Expenditures, and Unencumbered Cash

For the Fiscal Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Ending Cash Balances	
						2011	2010
Gate Receipts							
High School	\$ 2,961.65	\$ 17,712.12	\$ 19,539.53	\$ 1,134.24	\$ -	\$ 1,134.24	\$ 3,689.80
Middle School	4,296.09	2,744.82	3,616.25	3,424.66	-	3,424.66	4,296.09
Total District Activity Funds	\$ 7,257.74	\$ 20,456.94	\$ 23,155.78	\$ 4,558.90	\$ -	\$ 4,558.90	\$ 7,985.89

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

**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Unified School District #246 (the 'District'), Arma, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The District is a municipal corporation governed by an elected seven-member board. The District has developed criteria to determine whether outside agencies, with activities which benefit the members of the District, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility or financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships. Based on the above criteria, the District has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a component unit in these financial statements.

Basis of Presentation - Fund Accounting

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

The following types of funds comprise the financial activities of the Unified School District #246:

**GOVERNMENTAL FUNDS**

General Fund – The General Fund is the principal fund of the District which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the District, other than proprietary fund activities, are financed through revenues received by the General Fund.

Special Revenue Funds – These funds are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are designated to finance particular functions or activities of the District.

Debt Service Fund – The Bond and Interest Fund is used to account for payment of principal and interest on the District's general obligation bonds which are recorded in the general long-term debt group of accounts. Revenues for this purpose include ad valorem property taxes, special assessment taxes, and investment interest income.

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

Capital Project Funds – The Capital Project Funds account for capital improvements (except for those financed by proprietary funds) which are financed from the District's general obligation bond issues, special assessments, certain federal grants and other specific receipts.

**FIDUCIARY FUNDS**

Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Expendable Trust Funds – These funds account for funds held in trust for others. The funds are accounted for in essentially the same manner as governmental funds.

Basis of Presentation – Statutory Basis of Accounting

The statutory basis of accounting, as used in preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund, and an expenditure would be charged in the fund from which the transfer is made. The District has chosen to follow K.S.A. 72-6417 and K.S.A. 72-6434, which requires the 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, 2011.

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.

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

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid 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, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

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

Property Taxes

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

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statements and budget comparisons presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the District Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Pension Plan

Substantially all full-time District employees are members of the State of Kansas Public Employees Retirement System which is a multi-employer state-wide pension plan. The District's policy is the State of Kansas will fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The District had no such amendments during the year, however, the General Fund budget was decreased to the legal maximum budget based upon final enrollment numbers lower than originally budgeted.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

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 cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments of 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 fiduciary funds and certain special revenue funds.

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

Compliance with Kansas Statutes

Statements 1 and 2 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1, the District was in apparent violation of K.S.A. 10-1,113. The District has obligated expenditures in excess of available monies in the Title I Fund and the Title II - Improving Teacher Quality Fund, however, K.S.A 10-1,116 provides that under certain situations, the fund can end the year with a negative unencumbered cash balance and therefore, exempt from the cash basis laws of the State of Kansas. The Title I Fund and the Title II - Improving Teacher Quality Fund met the criteria under the statutes and therefore, is not deemed to be in violation of the Kansas cash basis laws. As shown in Statement 2, the City was in apparent compliance with Kansas budget laws.

During the year ended June 30, 2011, the District was in apparent violation of K.S.A. 72-8202d, in which the District did not obtain adequate bonding on the new treasurer.

**3. DEPOSITS AND INVESTMENTS**

K.S.A 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main branch 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 bank provides an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

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

**3. DEPOSITS AND INVESTMENTS** (Continued)

*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.

At year-end, the District's carrying amount of deposits was \$2,716,986.52 and the bank balance was \$2,408,506.66. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000.00 was covered by FDIC insurance, \$1,908,506.660 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

**4. CAPITAL LEASE OBLIGATIONS**

The District has entered into a capital lease agreement in order to finance the acquisition of and installation of an energy management system. Payments are made of \$59,012.94 annually, including interest at 5.00%. Final maturity of the lease is December 12, 2020. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Totals</u>
2012	\$ 59,012.94
2013	59,012.94
2014	59,012.94
2015	59,012.94
2016	59,012.94
2017-2021	<u>295,064.70</u>
Total Payments from District	590,129.40
Less imputed interest	<u>(132,820.52)</u>
Net Present Value of Minimum Lease Payments	457,308.88
Less: Current Maturities	<u>(36,228.90)</u>
Long-Term Capital Lease Obligations	<u>\$ 421,079.98</u>

**5. REFUNDING BONDS**

On April 28, 2011, the District issued General Obligation refunding Bonds, Series 2011, in the amount of \$2,955,000 to defease in substance the outstanding Series 2002-A Refunding Binds. The net cash flow difference between the debt service requirements of the old debt compared to the debt service requirements of the new debt was \$163,369.44. The present value of the savings on refunding the bonds was \$140,218.43. The proceeds of the bond issue were irrevocably placed in a trust account and used to purchase United States Government Securities for the purpose of paying the debt requirements of the refunded bonds as they come due. The following schedule lists the refunding bond issue and the principal outstanding of refunded debt as of June 30, 2011.

Refunding Bonds, Series 2002-A	\$ 2,785,000.00
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## 6. LONG-TERM DEBT

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions/ New Debt	Reductions/ Principal Paid	Net Change	Balances End of Year	Interest Paid
<b>General Obligation Bonds</b>										
Series 2002-A	5.50%	5/1/2002	\$ 4,299,000.00	9/1/2022	\$ 3,400,000.00	\$ -	\$ 2,980,000.00		\$ 420,000.00	\$ 153,377.50
Series 2011	3.00% to 4.00%	4/28/2011	2,955,000.00	9/1/2022	-	2,955,000.00	-		2,955,000.00	11,822.37
<b>Capital Leases</b>										
Energy System	5.00%	12/12/2005	612,533.00	12/12/2020	491,812.59	-	34,503.71		457,308.88	24,509.23
<b>Total Scheduled Long-Term Debt</b>										
					3,891,812.59	2,955,000.00	3,014,503.71		3,832,308.88	189,709.10
<b>Other Long-Term Debt</b>										
General Accrued Compensated Absences										
Vacation Pay	N/A	N/A	N/A	N/A	16,727.43			2,589.92	19,317.35	N/A
<b>Total Long-Term Debt</b>										
					\$ 3,908,540.02	\$ 2,955,000.00	\$ 3,014,503.71	\$ 2,589.92	\$ 3,851,626.23	\$ 189,709.10

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

Principal	Issue	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	Totals
		2012	2013	2014	2015	2016	2017-2021	2022-2023
<b>General Obligation Bonds</b>								
\$ 205,000.00	Series 2002-A	\$ 215,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 420,000.00
30,000.00	Series 2011	25,000.00	250,000.00	260,000.00	265,000.00	265,000.00	1,460,000.00	2,955,000.00
<b>Capital Leases</b>								
36,228.90	Energy System	38,040.34	39,942.36	41,939.48	44,036.45	257,121.35	-	457,308.88
271,228.90	Total Principal	278,040.34	289,942.36	301,939.48	309,036.45	1,717,121.35	665,000.00	3,832,308.88
<b>Interest</b>								
<b>General Obligation Bonds</b>								
13,340.00	Series 2002-A	4,568.75	-	-	-	-	-	17,908.75
77,881.81	Series 2011	91,792.50	87,667.50	80,017.50	72,142.50	229,837.50	21,738.75	661,078.06
<b>Capital Leases</b>								
22,784.04	Energy System	20,972.60	19,070.58	17,073.46	14,976.49	37,943.35	-	132,820.52
114,005.85	Total Interest	117,333.85	106,738.08	97,090.96	87,118.99	267,780.85	21,738.75	811,807.33
\$ 385,234.75	Total Principal and Interest	\$ 395,374.19	\$ 396,680.44	\$ 399,030.44	\$ 396,155.44	\$ 1,984,902.20	\$ 686,738.75	\$ 4,644,116.21

**7. OPERATING LEASES**

As of June 30, 2011 the District has entered into a number of operating leases for various office equipment. Total payments for the year ended June 30, 2011 was \$33,430.32. Under the current lease agreements, the future minimum lease rentals are as follows:

2011-2012	\$	33,430.32
2012-2013		33,319.32
2013-2014		8,024.58

**8. DEFINED BENEFIT PENSION PLAN**

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

*Funding Policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% or 6% of covered salary. 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. State law sets a limitation on annual increases in the employer contribution rates. As of June 30, 2011, the State of Kansas contributes 9.17% of covered payroll. Kansas' contributions to KPERS for school municipality employees for the years ending June 30, 2011, 2010, and 2009 were \$253,834,044, \$248,268,186, and \$242,277,363, respectively, equal to the statutory required contributions for each year.

**9. COMPENSATED ABSENCES**

Vacation

Only twelve month employees are eligible for the vacation fringe benefit. Earned vacation days are awarded every July 1. Employees receive vacation on the following schedule:

After one year of service	2 weeks per year
After ten years of service	3 weeks per year
After fifteen years of service	4 weeks per year

Vacation may not accrue beyond 40 days if hired before July 1, 2008. Any employee hired after July 1, 2008 may not accrue beyond 15 days.

Sick Leave

Full time twelve month employees are entitled to sick leave at a rate of twelve days per year, with a maximum accumulation of sixty days. Part-time classified employees shall be entitled to sick leave of ten days per year with a maximum accumulation of fifty days. Sick leave above the maximum accumulation remaining at the end of a school year will be paid for at the rate of \$30.00 per day. Sick leave is lost upon termination.



**9. COMPENSATED ABSENCES** (Continued)

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

- 1) The District's obligation relating to employees' rights to receive compensation for future absences is attributed to employee's services already rendered.
- 2) The obligation relates to rights that vest or accumulate.
- 3) Payment of the compensation is probable.
- 4) The amount can be reasonably estimated.

In accordance with the above criteria, the District has accrued a liability for vacation benefits in footnote 6, and not accrued a liability for sick pay which has been earned, but not taken by District employees, inasmuch as the amount cannot be reasonably estimated.

**10. OTHER POST EMPLOYMENT BENEFITS**

Pursuant to the negotiated agreement, the District continued its early retirement plan. In general, the plan allows a person who has been employed by the District as a full time teacher for the ten most recent consecutive academic years, and who has reached or will reach the age of 53 prior to September 1, the option to retire on or before September 1 at age 53. Benefits which are provided are as follows: 1) paid sick leave up to restrictions as specified in the current negotiated agreement between the district and its employees, 2) a percentage of the last regular salary until the date he or she reaches the age of 65, and 3) \$200.00 per month towards group health insurance until the month in which such person reaches the age of 65. These benefits are paid monthly to the employee that has elected retirement. Upon death of a retiree all provisions will terminate.

The following is a schedule of benefits paid and payable for eligible employees which have taken early retirement as of June 30, 2011:

<u>Year Ending June 30</u>	<u>Amount</u>	<u>Number of Participants</u>
2011	\$ 138,077.00	18
2012	135,517.00	18
2013	134,416.00	19
2014	99,687.00	16
2015	106,643.00	16
2016	79,681.00	14
2017-2034	895,898.00	various

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.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The District manages these risks of loss through the purchase of various insurance policies.

**12. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and state grantors. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**13. INTERFUND TRANSFERS**

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	K-12 At-Risk	K.S.A. 72-6428	\$ 447,613.58
General	4 Year Old At-Risk	K.S.A. 72-6428	32,960.00
General	Special Education	K.S.A. 72-6428	292,878.63
General	Capital Outlay	K.S.A. 72-6428	316,943.26
Supplemental General	Food Service	K.S.A. 72-6428	81,033.49
Supplemental General	Professional Development	K.S.A. 72-6428	35,000.00
Supplemental General	Special Education	K.S.A. 72-6428	435,687.57
Supplemental General	Textbook and Student Material	K.S.A. 72-6428	12,000.00
Supplemental General	K-12 At-Risk	K.S.A. 72-6428	316,358.10

**14. SUBSEQUENT EVENTS**

The District evaluated events and transactions occurring subsequent to June 30, 2011, through November 23, 2011, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

## **FEDERAL COMPLIANCE SECTION**

**UNIFIED SCHOOL DISTRICT #246**  
 Arma, Kansas  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Cash Receipts	Disbursements/ Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Direct Grant				
Small, Rural School Achievement Program	N/A	84.358a	\$ 5,596.72	\$ 5,596.72
Passed through the Kansas Department of Education				
Title I Part A Cluster				
Title I Grant - Carryover	DO246	84.010	32,477.41	32,477.41
Title I Grant	DO246	84.010	164,128.59	175,513.77
		Total 84.010	196,606.00	207,991.18
Title I Grant - ARRA	DO246	84.389	71,953.00	71,953.00
		Total Title I Part A Cluster (M)	268,559.00	279,944.18
Education Technology State Grants Cluster				
Education Technology State Grants	DO246	84.318	670.00	670.00
Education Technology State Grants - ARRA	DO246	84.387	4,419.00	4,419.00
		Total Education Technology State Grants Cluster	5,089.00	5,089.00
Improving Teacher Quality State Grants	DO246	84.367	44,249.00	45,202.00
State Fiscal Stabilization Funds	DO246	84.394	82,397.00	82,397.00
Education Jobs Fund	DO246	84.410	144,277.00	144,277.00
		Total U.S. Department of Education	550,167.72	562,505.90
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
Passed through the Kansas Department of Education				
Child USDA Nutrition Cluster:				
National School Lunch Program	DO246	10.555	167,643.66	167,643.66
School Breakfast Program	DO246	10.553	63,808.92	63,808.92
Total Child USDA Nutrition Cluster:			231,452.58	231,452.58
Fresh Fruits and Vegetables Program	DO246	10.582	22,799.19	22,799.19
			254,251.77	254,251.77
TOTAL FEDERAL AWARDS			\$ 804,419.49	\$ 816,757.67

Note to the Schedule of Expenditures of Federal Awards:  
 Federal expenditures are recorded on the accrual basis of accounting, which records expenses when the goods or services are received, and not necessarily when paid.  
 (M) = Major Program

**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Board of Education  
Unified School District #246  
Arma, Kansas

We have audited the financial statements of the Unified School District #246, Arma, Kansas, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unified School District #246's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Unified School District #246's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Unified School District #246's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District #246's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Jarred, Gilmore & Phillips, PA*

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

November 23, 2011  
Chanute, Kansas

**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education  
Unified School District #246  
Arma, Kansas

Compliance

We have audited the Unified School District #246, Arma, Kansas for 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 #246's major federal programs for the year ended June 30, 2011. Unified School District #246's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Unified School District #246's management. Our responsibility is to express an opinion on Unified Schools District #246'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. 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 #246'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 #246's compliance with those requirements.

In our opinion, Unified School District #246, Arma, Kansas, 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 #246 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Unified School District #246'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 #246's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of Education, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

November 23, 2011  
Chanute, Kansas



**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

The auditors' report expresses an unqualified opinion on the statutory basis financial statements of Unified School District #246, Arma, Kansas.

**Internal Control over Financial Reporting:**

Material weakness(es) identified?	_____	Yes	___X___	No
Significant deficiencies identified that are not considered to be a material weaknesses?	_____	Yes	___X___	No
Noncompliance or other matters required to be reported under <i>Government Auditing Standards</i>	_____	Yes	___X___	No

**Federal Awards:**

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	___X___	No
Significant deficiencies identified that are not considered to be a material weaknesses?	_____	Yes	___X___	No

The auditors' report on compliance for the major federal award programs for Unified School District #246, Arma, Kansas expresses an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____	Yes	___X___	No
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Identification of major programs:

**U.S. DEPARTMENT OF EDUCATION**

Title I – Part A Cluster:  
Title I Grants to Local Educational Agencies – CFDA No. 84.010  
Title I Grants to Local Educational Agencies – ARRA – CFDA No. 84.389  
Education Jobs Fund – ARRA – CFDA No. 84.410

The threshold for distinguishing Types A and B programs was \$300,000.00.

Auditee qualified as a low risk auditee?	_____	Yes	___X___	No
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**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

NONE

**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas

Schedule of Findings and Questioned Costs  
(Continued)  
For the Year Ended June 30, 2011

**III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE

	<u>Questioned Costs</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>	
Title I - Part A Cluster:	
Title I Grants to Local Educational Agencies - CFDA No. 84.010	None
Title I Grants to Local Educational Agencies - ARRA - CFDA No. 84.389	None
Education Jobs Fund - ARRA - CFDA No. 84.410	None

**UNIFIED SCHOOL DISTRICT #246**  
Arma, Kansas

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2011

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None