

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended June 30, 2011

CLUBINE AND RETTELE, CHARTERED  
CERTIFIED PUBLIC ACCOUNTANTS  
Salina, Kansas

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended June 30, 2011

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UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended June 30, 2011

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Unified School District No. 327  
Ellsworth, Kansas

We have audited the accompanying financial statements of Unified School District No. 327, 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 No. 327's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from Unified School District No. 327's financial statements and, in our report dated November 5, 2010, we expressed a unqualified opinion on the respective financial statements which were prepared using accounting practices prescribed or permitted by the State of Kansas.

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

As described more fully in Note 2, Unified School District No. 327 prepares its financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 327, as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the fiscal year then ended. Further, Unified School District No. 327 has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of Unified School District No. 327 as of June 30, 2011, and their respective cash receipts and disbursements, and the respective budgetary comparison for the General Funds and budgeted Special Revenue Funds for the fiscal year then ended, on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, on our consideration of Unified School District No. 327'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 opinions on the financial statements that collectively comprise Unified School District No. 327's basic 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.

The financial statements include prior year partial comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Unified School District No. 327's financial statements for the year ended June 30, 2010, from which such partial information was derived.

Clubine and Rettele, Chartered

A handwritten signature in black ink, appearing to read "Clubine and Rettele". The signature is written in a cursive, flowing style.

Salina, Kansas  
February 2, 2012

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

Statement 1

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

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Type Funds:</b>						
<b>General Funds</b>						
* General	\$ (406,817.57)	\$ 4,667,526.60	\$ 4,590,148.00	\$ (329,438.97)	\$ 51,633.44	\$ (277,805.53)
* Supplemental General	(104,831.41)	1,665,884.01	1,532,436.00	28,616.60	20,968.61	49,585.21
<b>Special Revenue Funds</b>						
Capital Outlay	1,194,326.75	526,350.80	656,312.23	1,064,365.32	23,913.52	1,088,278.84
Driver Education	17,027.83	3,175.00	4,401.67	15,801.16	415.45	16,216.61
At - Risk (K-12)	553.81	446,800.00	407,288.37	40,065.44	45.93	40,111.37
Food Service	97,177.19	403,178.67	398,967.97	101,387.89	760.42	102,148.31
Professional Development	11,390.27	6,000.00	7,216.87	10,173.40	2,360.00	12,533.40
Special Education	252,035.42	738,971.47	739,688.02	251,318.87	-	251,318.87
Vocational Education	3,939.40	138,000.00	123,847.04	18,092.36	11,089.12	29,181.48
Title I	-	76,623.00	76,623.00	-	10,010.72	10,010.72
Title I - ARRA	-	30,027.00	30,027.00	-	-	-
Title I D	-	68,368.00	68,368.00	-	-	-
Title I D - ARRA	-	-	-	-	-	-
Title II A	-	22,837.00	22,837.00	-	-	-
Title II D	-	282.00	282.00	-	-	-
Title II D - ARRA	-	-	-	-	-	-
Contingency	264,000.00	-	-	264,000.00	-	264,000.00
KPERS Retirement Contribution	-	218,796.38	218,796.38	-	-	-
District Activity Funds	2,944.09	81,329.21	81,349.22	2,924.08	-	2,924.08
<b>Debt Service Funds</b>						
Bond and Interest	23,633.86	0.50	-	23,634.36	-	23,634.36
Asbestos Bond and Interest	12,708.65	0.42	-	12,709.07	-	12,709.07
<b>Nonexpendable Trust Funds</b>						
Scholarship	76,834.82	2,961.54	2,573.75	77,222.61	-	77,222.61
Gifts and Grants	115,051.16	70,053.53	60,219.42	124,885.27	14,782.98	139,668.25
<b>Total Reporting Entity (Excluding Agency Funds)</b>	<b><u>\$ 1,559,974.27</u></b>	<b><u>\$ 9,167,165.13</u></b>	<b><u>\$ 9,021,381.94</u></b>	<b><u>\$ 1,705,757.46</u></b>	<b><u>\$ 135,980.19</u></b>	<b><u>\$ 1,841,737.65</u></b>
<b>Composition of Cash:</b>				<b>Checking and Savings Accounts</b>		<b>\$ 967,432.87</b>
				<b>Petty Cash</b>		<b>2,100.00</b>
				<b>Certificates of Deposit</b>		<b>886,509.83</b>
				<b>Total Cash</b>		<b>1,856,042.70</b>
				<b>Investments</b>		<b>29,786.68</b>
				<b>Total Cash and Investments</b>		<b>1,885,829.38</b>
				<b>Agency Funds per Statement 4</b>		<b>(44,091.73)</b>
				<b>Total Reporting Entity (Excluding Agency Funds)</b>		<b><u>\$ 1,841,737.65</u></b>

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

\* General Funds presented per Kansas Municipal Audit Guide For Statutory Basis presentation of these funds see Note # 11.

UNIFIED SCHOOL DISTRICT NO. 327  
 Ellsworth, Kansas  
 Summary of Expenditures - Actual and Budget - Statutory Basis  
 For the Fiscal Year Ended June 30, 2011

Statement 2

Funds	Certified Budget	Adjustment to Comply with Legal Max	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Type Funds:</b>					
<b>General Funds</b>					
General	\$ 4,788,322.00	\$ (198,174.00)	\$ 4,590,148.00	\$ 4,590,148.00	\$ -
Supplemental General	1,551,000.00	(18,564.00)	1,532,436.00	1,532,436.00	-
<b>Special Revenue Funds</b>					
Capital Outlay	1,406,551.00	-	1,406,551.00	656,312.23	(750,238.77)
Driver Education	8,350.00	-	8,350.00	4,401.67	(3,948.33)
At - Risk (K-12)	460,554.00	-	460,554.00	407,288.37	(53,265.63)
Food Service	400,890.00	-	400,890.00	398,967.97	(1,922.03)
Professional Development	16,390.00	-	16,390.00	7,216.87	(9,173.13)
Special Education	835,150.00	-	835,150.00	739,688.02	(95,461.98)
Vocational Education	123,939.00	-	123,939.00	123,847.04	(91.96)
KPERs Retirement Contribution	311,114.00	-	311,114.00	218,796.38	(92,317.62)

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

Ellsworth, Kansas

General Fund

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and shared Revenue:				
Ad Valorem Property Tax	\$ 575,204.05	\$ 583,082.06	\$ 548,935.00	\$ 34,147.06
Delinquent Tax	4,636.18	7,765.08	7,387.00	378.08
Mineral and Excise Tax	833.20	1,939.46	1,000.00	939.46
State Aid:				
General State Aid	3,656,661.00	3,325,998.00	3,580,222.00	(254,224.00)
Special Education Services Aid	475,392.00	515,133.00	565,860.00	(50,727.00)
Federal Aid:				
Education Jobs Fund	-	148,691.00	-	148,691.00
ARRA Stabilization Fund	230,293.00	84,918.00	84,918.00	-
<b>Total Cash Receipts</b>	<b>4,943,019.43</b>	<b>4,667,526.60</b>	<b>\$ 4,788,322.00</b>	<b>\$ (120,795.40)</b>
<b>Expenditures</b>				
Instruction	2,097,405.43	1,936,061.54	\$ 2,206,994.00	\$ (270,932.46)
Student Support Services	164,403.49	166,252.11	174,765.00	(8,512.89)
Instructional Support Services	116,281.49	114,521.45	126,350.00	(11,828.55)
General Administration	176,610.23	178,294.61	181,900.00	(3,605.39)
School Administration	293,814.28	222,745.70	223,973.00	(1,227.30)
Operations and Maintenance	430,404.05	453,885.46	448,060.00	5,825.46
Transportation	125,336.87	110,998.31	138,010.00	(27,011.69)
Other Supplemental Service	49,403.68	140,672.48	416,650.00	(275,977.52)
Operating Transfers	1,252,015.48	1,266,716.34	871,620.00	395,096.34
Adjustment to Comply with Legal Max	-	-	(198,174.00)	198,174.00
<b>Legal General Fund Budget</b>	<b>4,705,675.00</b>	<b>4,590,148.00</b>	<b>\$ 4,590,148.00</b>	<b>\$ -</b>
Receipts Over (Under) Expenditures	237,344.43	77,378.60		
Unencumbered Cash, Beginning	(644,162.00)	(406,817.57)		
Unencumbered Cash, Ending	\$ (406,817.57)	\$ (329,438.97)		

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

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

Statement 3

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and shared Revenue:				
Ad Valorem Property Tax	\$ 659,805.69	\$ 817,597.56	\$ 759,334.00	\$ 58,263.56
Delinquent Tax	6,274.13	9,973.15	8,436.00	1,537.15
Motor Vehicle Tax	80,214.45	83,918.38	91,886.00	(7,967.62)
16/20 M Tax	6,380.10	6,296.57	-	6,296.57
RV Tax	1,438.56	1,445.35	1,473.00	(27.65)
State Aid:				
Supplemental General State Aid	489,000.00	746,653.00	659,951.00	86,702.00
Federal Aid:				
ARRA Stabilization Funds	174,528.00	-	-	-
<b>Total Cash Receipts</b>	<u>1,417,640.93</u>	<u>1,665,884.01</u>	<u>\$ 1,521,080.00</u>	<u>\$ 144,804.01</u>
<b>Expenditures</b>				
Instruction	166,970.13	113,577.76	\$ 157,940.00	\$ (44,362.24)
Instructional Support Staff	16,526.39	15,472.97	24,595.00	(9,122.03)
General Administration	95,390.51	127,835.50	104,000.00	23,835.50
School Administration	7,961.79	2,803.64	10,000.00	(7,196.36)
Operations and Maintenance	315,426.02	351,994.66	364,050.00	(12,055.34)
Transportation	104,118.85	115,406.55	120,000.00	(4,593.45)
Other Supplemental Service	248,041.00	201,756.00	-	201,756.00
Operating Transfers	497,565.31	603,588.92	770,415.00	(166,826.08)
Adjustment to Comply with Legal Max	-	-	(18,564.00)	18,564.00
<b>Total Expenditures</b>	<u>1,452,000.00</u>	<u>1,532,436.00</u>	<u>\$ 1,532,436.00</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	(34,359.07)	133,448.01		
Unencumbered Cash, Beginning	<u>(70,472.34)</u>	<u>(104,831.41)</u>		
Unencumbered Cash, Ending	<u>\$ (104,831.41)</u>	<u>\$ 28,616.60</u>		

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

## UNIFIED SCHOOL DISTRICT NO. 327

Statement 3

Ellsworth, Kansas

Capital Outlay Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and shared Revenue:				
Ad Valorem Property Tax	\$ 129,254.63	\$ 2,505.29	\$ 1,884.00	\$ 621.29
Delinquent	1,290.32	2,009.75	1,654.00	355.75
Motor Vehicle Tax	16,277.74	15,795.96	17,407.00	(1,611.04)
16/20M Tax	1,332.72	1,176.65	-	1,176.65
RV Tax	291.88	272.93	279.00	(6.07)
Other Tax	-	-	45,000.00	(45,000.00)
Government Lease	48,099.00	51,694.96	-	51,694.96
Interest	23,319.14	14,351.47	21,000.00	(6,648.53)
Other	-	10.00	-	10.00
Operating Transfers	<u>364,807.48</u>	<u>438,533.79</u>	<u>125,000.00</u>	<u>313,533.79</u>
<b>Total Cash Receipts</b>	<u><b>584,672.91</b></u>	<u><b>526,350.80</b></u>	<u><b>\$ 212,224.00</b></u>	<u><b>\$ 314,126.80</b></u>
<b>Expenditures</b>				
Instruction	12,368.63	27,325.09	\$ 250,000.00	\$ (222,674.91)
Support Services	-	-	10,000.00	(10,000.00)
Instructional Support Staff	-	-	60,000.00	(60,000.00)
General Administration	-	-	100,000.00	(100,000.00)
School Administration	896.05	-	100,000.00	(100,000.00)
Operations and Maintenance	(75,518.14)	191,905.50	250,000.00	(58,094.50)
Transportation	-	25,866.00	-	25,866.00
Land Improvement	11,510.43	-	150,000.00	(150,000.00)
Architectural and Engineering Services	64,458.06	9,594.08	100,000.00	(90,405.92)
Repair and Remodeling Building	493,897.66	246,551.40	300,000.00	(53,448.60)
Site Improvement Services	-	<u>155,070.16</u>	<u>86,551.00</u>	<u>68,519.16</u>
<b>Total Expenditures</b>	<u><b>507,612.69</b></u>	<u><b>656,312.23</b></u>	<u><b>\$ 1,406,551.00</b></u>	<u><b>\$ (750,238.77)</b></u>
Receipts Over (Under) Expenditures	77,060.22	(129,961.43)		
Unencumbered Cash, Beginning	<u>1,117,266.53</u>	<u>1,194,326.75</u>		
Unencumbered Cash, Ending	<u><b>\$ 1,194,326.75</b></u>	<u><b>\$ 1,064,365.32</b></u>		

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

Ellsworth, Kansas

Driver Education Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State Aid:				
State Safety Aid	\$ 1,350.00	\$ 2,220.00	\$ 2,100.00	\$ 120.00
Fees	<u>1,116.00</u>	<u>955.00</u>	<u>1,200.00</u>	<u>(245.00)</u>
Total Cash Receipts	<u>2,466.00</u>	<u>3,175.00</u>	<u>\$ 3,300.00</u>	<u>\$ (125.00)</u>
Expenditures				
Instruction	3,470.98	3,459.71	\$ 5,450.00	\$ (1,990.29)
Operations and Maintenance	<u>395.60</u>	<u>941.96</u>	<u>2,900.00</u>	<u>(1,958.04)</u>
Total Expenditures	<u>3,866.58</u>	<u>4,401.67</u>	<u>\$ 8,350.00</u>	<u>\$ (3,948.33)</u>
Receipts Over (Under) Expenditures	(1,400.58)	(1,226.67)		
Unencumbered Cash, Beginning	<u>18,428.41</u>	<u>17,027.83</u>		
Unencumbered Cash, Ending	<u>\$ 17,027.83</u>	<u>\$ 15,801.16</u>		

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

## UNIFIED SCHOOL DISTRICT NO. 327

Statement 3

Ellsworth, Kansas

At - Risk (K-12) Fund

Statement of Cash Receipts and Expenditures - Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Operating Transfers	\$ 355,000.00	\$ 446,800.00	\$ 460,000.00	\$ (13,200.00)
Expenditures				
Instruction	<u>354,446.19</u>	<u>407,288.37</u>	<u>\$ 460,554.00</u>	<u>\$ (53,265.63)</u>
Receipts Over (Under) Expenditures	553.81	39,511.63		
Unencumbered Cash, Beginning	<u>-</u>	<u>553.81</u>		
Unencumbered Cash, Ending	<u>\$ 553.81</u>	<u>\$ 40,065.44</u>		

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

Ellsworth, Kansas

Food Service Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State Aid:				
Food Service Aid	\$ 3,623.88	\$ 3,501.42	\$ 2,929.00	\$ 572.42
Federal Aid:				
School Breakfast Program	23,135.98	29,137.76	-	29,137.76
National School Lunch Program	103,166.39	108,693.44	-	108,693.44
Cash for Commodities	16,314.86	18,336.96	-	18,336.96
Child Nutrition Programs	-	-	139,921.00	(139,921.00)
Local Receipts	142,617.23	141,509.09	152,948.00	(11,438.91)
Operating Transfers	<u>68,000.00</u>	<u>102,000.00</u>	<u>109,390.00</u>	<u>(7,390.00)</u>
Total Cash Receipts	<u>369,029.95</u>	<u>403,178.67</u>	<u>\$ 405,188.00</u>	<u>\$ (2,009.33)</u>
Expenditures				
Operations and Maintenance	698.00	580.00	\$ 800.00	\$ (220.00)
Food Service Operation	<u>364,273.61</u>	<u>398,387.97</u>	<u>400,090.00</u>	<u>(1,702.03)</u>
Total Expenditures	<u>364,971.61</u>	<u>398,967.97</u>	<u>\$ 400,890.00</u>	<u>\$ (1,922.03)</u>
Receipts Over (Under) Expenditures	4,058.34	4,210.70		
Unencumbered Cash, Beginning	<u>93,118.85</u>	<u>97,177.19</u>		
Unencumbered Cash, Ending	<u>\$ 97,177.19</u>	<u>\$ 101,387.89</u>		

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

UNIFIED SCHOOL DISTRICT NO. 327  
 Ellsworth, Kansas

Statement 3

Professional Development Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget - Statutory Basis  
 For the Fiscal Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Operating Transfers	\$ 14,500.00	\$ 6,000.00	\$ 5,000.00	\$ 1,000.00
Expenditures				
Instructional Support Services	3,271.69	7,216.87	16,390.00	(9,173.13)
Receipts Over (Under) Expenditures	11,228.31	(1,216.87)		
Unencumbered Cash, Beginning	161.96	11,390.27		
Unencumbered Cash, Ending	\$ 11,390.27	\$ 10,173.40		

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

Ellsworth, Kansas

Special Education Fund

Statement of Cash Receipts and Expenditures - Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State Aid	\$ 436,208.00	\$ -	\$ -	\$ -
Operating Transfers	<u>295,540.31</u>	<u>738,971.47</u>	<u>816,645.00</u>	<u>(77,673.53)</u>
Total Cash Receipts	<u>731,748.31</u>	<u>738,971.47</u>	<u>\$ 816,645.00</u>	<u>\$ (77,673.53)</u>
Expenditures				
Instruction	623,772.00	706,167.00	\$ 784,400.00	\$ (78,233.00)
Vehicle Operating Service	<u>46,042.02</u>	<u>33,521.02</u>	<u>50,750.00</u>	<u>(17,228.98)</u>
Total Expenditures	<u>669,814.02</u>	<u>739,688.02</u>	<u>\$ 835,150.00</u>	<u>\$ (95,461.98)</u>
Receipts Over (Under) Expenditures	61,934.29	(716.55)		
Unencumbered Cash, Beginning	<u>190,101.13</u>	<u>252,035.42</u>		
Unencumbered Cash, Ending	<u>\$ 252,035.42</u>	<u>\$ 251,318.87</u>		

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

UNIFIED SCHOOL DISTRICT NO. 327  
 Ellsworth, Kansas

Statement 3

Vocational Education Fund

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Operating Transfers	\$ 119,525.00	\$ 138,000.00	\$ 120,000.00	\$ 18,000.00
Expenditures				
Instruction	115,585.60	123,847.04	\$ 123,939.00	\$ (91.96)
Receipts Over (Under) Expenditures	3,939.40	14,152.96		
Unencumbered Cash, Beginning	-	3,939.40		
Unencumbered Cash, Ending	\$ 3,939.40	\$ 18,092.36		

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

UNIFIED SCHOOL DISTRICT NO. 327

Statement 3

Ellsworth, Kansas

Title I Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid:		
Title I Grants to Local Education Agencies	\$ 68,609.00	\$ 76,623.00
Expenditures		
Instruction and Administration	<u>68,609.00</u>	<u>76,623.00</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

Title I - ARRA Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid:		
Title I Grants to Local Education Agencies	\$ 14,991.00	\$ 30,027.00
Expenditures		
Instruction and Administration	<u>14,991.00</u>	<u>30,027.00</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 NO. 327

Statement 3

Ellsworth, Kansas

Title I D Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid:		
Title I Grants to Local Education Agencies	\$ 57,789.00	\$ 68,368.00
Expenditures		
Instruction and Administration	<u>57,789.00</u>	<u>68,368.00</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

Title I D - ARRA Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid:		
Title I Grants to Local Education Agencies	\$ 39,926.00	\$ -
Expenditures		
Instruction and Administration	<u>39,926.00</u>	<u>-</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 NO. 327

Statement 3

Ellsworth, Kansas

Title II A Fund

Statement of Cash Receipts and Expenditures - Statutory Basis  
 For the Fiscal Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
	<u>          </u>	<u>          </u>
Cash Receipts		
Federal Aid:		
Improving Teacher Quality State Grants	\$ 22,933.00	\$ 22,837.00
Expenditures		
Instruction	<u>22,933.00</u>	<u>22,837.00</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

Title II D Fund

Statement of Cash Receipts and Expenditures - Statutory Basis  
 For the Fiscal Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
	<u>          </u>	<u>          </u>
Cash Receipts		
Federal Aid:		
Education Technology State Grants	\$ 641.00	\$ 282.00
Expenditures		
Instruction	<u>641.00</u>	<u>282.00</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 NO. 327

Statement 3

Ellsworth, Kansas

Title II D - ARRA Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid:		
Improving Teacher Quality State Grants	\$ 1,577.00	\$ -
Expenditures		
Instruction	<u>1,577.00</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

Contingency Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ 96,000.00	\$ -
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	96,000.00	-
Unencumbered Cash, Beginning	<u>168,000.00</u>	<u>264,000.00</u>
Unencumbered Cash, Ending	<u>\$ 264,000.00</u>	<u>\$ 264,000.00</u>

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

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

Statement 3

KPERS Retirement Contribution Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget - Statutory Basis  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State Aid :				
KPERS Employer Contributions	\$ 255,012.88	\$ 218,796.38	\$ 311,114.00	\$ (92,317.62)
Expenditures				
Instruction	160,658.13	142,217.63	\$ 196,464.00	\$ (54,246.37)
Student Support	10,200.51	8,751.87	12,440.00	(3,688.13)
Instructional Support	12,750.63	6,563.88	15,560.00	(8,996.12)
General Administration	12,750.63	10,939.82	15,560.00	(4,620.18)
School Administration	17,850.90	10,939.82	21,750.00	(10,810.18)
Other Supplemental Services	2,550.14	8,751.87	3,000.00	5,751.87
Operations and Maintenance	20,401.04	15,315.74	24,900.00	(9,584.26)
Student Transportation Services	7,650.39	6,563.88	9,000.00	(2,436.12)
Food Service	10,200.51	8,751.87	12,440.00	(3,688.13)
Total Expenditures	<u>255,012.88</u>	<u>218,796.38</u>	<u>\$ 311,114.00</u>	<u>\$ (92,317.62)</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 NO. 327  
Ellsworth, Kansas

Statement 3

Bond and Interest Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget - Statutory Basis  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes and shared Revenue:				
Delinquent Tax	\$ -	\$ 0.50	\$ -	\$ 0.50
Expenditures	-	-	-	-
Receipts Over (Under) Expenditures	-	0.50		
Unencumbered Cash, Beginning	23,633.86	23,633.86		
Unencumbered Cash, Ending	\$ 23,633.86	\$ 23,634.36		

Asbestos Bond and Interest Fund  
Statement of Cash Receipts and Cash Disbursements - Actual and Budget - Statutory Basis  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes and shared Revenue:				
Delinquent Tax	\$ -	\$ 0.42	\$ -	\$ 0.42
Expenditures	-	-	-	-
Receipts Over (Under) Expenditures	-	0.42		
Unencumbered Cash, Beginning	12,708.65	12,708.65		
Unencumbered Cash, Ending	\$ 12,708.65	\$ 12,709.07		

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

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

Statement 3

Nonexpendable Trust - Scholarship Funds  
Statement of Cash Receipts and Expenditures - Statutory Basis  
For the Fiscal Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance
<b>Nonexpendable Trust Funds:</b>				
M.F. Beighley Scholarship	\$ 8,139.71	\$ 117.90	\$ 345.45	\$ 7,912.16
Lila Jean Young Memorial	30,050.23	870.03	1,133.58	29,786.68
Lovenstein Memorial Scholarship	1,474.30	18.51	-	1,492.81
David Snyder Scholarship	641.50	5.18	300.00	346.68
Gilkinson Family Scholarship	5,089.34	61.85	89.34	5,061.85
Henry Comm. Cancer Scholarship	17,732.91	235.36	500.00	17,468.27
Scott Bunch Scholarship	10,366.60	201.80	-	10,568.40
VOD Scholarship	823.96	802.14	-	1,626.10
Tina Deiser Scholarship	2,066.27	43.39	-	2,109.66
Science Project	450.00	5.38	205.38	250.00
Camp Med	-	600.00	-	600.00
<b>Total Nonexpendable Trust Funds</b>	<b>\$ 76,834.82</b>	<b>\$ 2,961.54</b>	<b>\$ 2,573.75</b>	<b>\$ 77,222.61</b>

Nonexpendable Trust - Gifts and Grants Fund  
Statement of Cash Receipts and Expenditures - Statutory Basis  
For the Fiscal Year Ended June 30, 2011

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ 41,200.97	\$ 70,053.53
Expenditures	<u>5,468.00</u>	<u>60,219.42</u>
Receipts Over (Under) Expenditures	35,732.97	9,834.11
Unencumbered Cash, Beginning	<u>79,318.19</u>	<u>115,051.16</u>
Unencumbered Cash, Ending	<u>\$ 115,051.16</u>	<u>\$ 124,885.27</u>

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

UNIFIED SCHOOL DISTRICT NO. 327

Statement 4

Ellsworth, Kansas

Agency Funds

Statement of Cash Receipts and Cash Disbursements - Statutory Basis

For the Fiscal Year Ended June 30, 2011

<u>Student Organization Funds</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Ellsworth High School				
Senior Class	\$ 547.79	\$ -	\$ 218.32	\$ 329.47
Junior Class	509.83	9,019.17	9,191.03	337.97
Sophomore Class	94.68	210.00	31.12	273.56
Freshman Class	-	210.00	63.39	146.61
Class Reserve	7,176.81	-	1,378.95	5,797.86
Parent Network	362.38	-	39.88	322.50
Cheerleaders	82.32	3,492.28	3,574.60	-
Cheerleader Camp/Clothing	705.88	8,948.56	9,466.28	188.16
JHS Cheer Camp/Clothing	-	1,018.66	1,011.70	6.96
Cheerleading Trip	-	3,469.13	3,469.13	-
Booster Club	3,460.09	-	28.72	3,431.37
FCA	668.55	2,000.00	2,101.78	566.77
FFA	9,848.86	16,969.19	19,707.19	7,110.86
FFA - Les Crandall Scholarship	148.37	-	148.37	-
FFA - Greenhouse	-	3,831.50	3,831.50	-
National Honor Society	902.04	477.37	289.65	1,089.76
Student Council	1,255.19	6,511.17	7,670.82	95.54
International Club	396.25	458.68	762.62	92.31
E Club	668.45	477.09	688.13	457.41
E Club Vending	82.43	580.11	467.30	195.24
Music	-	1,472.52	716.50	756.02
Music - Ellsworth Singers	425.27	1,995.34	1,651.36	769.25
Music Purchasing Account	-	40.00	-	40.00
Drama	1,860.44	-	-	1,860.44
Art Club	554.67	434.67	190.33	799.01
Scholar Bowl	-	1,383.86	1,383.86	-
Fall Sport Concession	1,600.00	17,181.17	17,581.17	1,200.00
All Sport Concession	16,886.81	17,014.54	20,862.28	13,039.07
Cambia	1,177.11	-	50.00	1,127.11
Forensics (NFL)	119.09	-	119.09	-
Investment - Savings Interest	-	25.66	-	25.66
Poster Printer	438.86	1,000.00	413.12	1,025.74
Subtotal High School	<u>49,972.17</u>	<u>98,220.67</u>	<u>107,108.19</u>	<u>41,084.65</u>
Kanopolis Middle School				
Concessions	<u>3,179.74</u>	<u>3,068.77</u>	<u>3,966.41</u>	<u>2,282.10</u>
Total Student Organization Funds	<u>53,151.91</u>	<u>101,289.44</u>	<u>111,074.60</u>	<u>43,366.75</u>
<u>Sales Tax Fund</u>				
High School	13.69	5,555.70	4,844.41	724.98
Middle School	-	71.63	71.63	-
Total Sales Tax Fund	<u>13.69</u>	<u>5,627.33</u>	<u>4,916.04</u>	<u>724.98</u>
Total Agency Funds	<u>\$ 53,165.60</u>	<u>\$ 106,916.77</u>	<u>\$ 115,990.64</u>	<u>\$ 44,091.73</u>

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

UNIFIED SCHOOL DISTRICT NO. 327  
 Ellsworth, Kansas  
 District Activity Funds  
 Statement of Cash Receipts, Expenditures, and Unencumbered Cash - Statutory Basis  
 For the Fiscal Year Ended June 30, 2011

District Activity Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Current Year Ending Cash Balance
Gate Receipts						
High School	\$ -	\$ 78,398.32	\$ 78,390.32	\$ 8.00	\$ -	\$ 8.00
School Projects						
High School Enterprise	-	1,071.52	1,071.52	-	-	-
High School Career Day	218.00	-	-	218.00	-	218.00
High School Library	82.28	6.00	88.28	-	-	-
High School Yearbook	-	1,111.29	1,111.29	-	-	-
High School Misc. Projects	915.24	742.08	687.81	969.51	-	969.51
High School Band	1,728.57	-	-	1,728.57	-	1,728.57
Total School Projects	<u>2,944.09</u>	<u>2,930.89</u>	<u>2,958.90</u>	<u>2,916.08</u>	<u>-</u>	<u>2,916.08</u>
Total District Activity Funds	<u>\$ 2,944.09</u>	<u>\$ 81,329.21</u>	<u>\$ 81,349.22</u>	<u>\$ 2,924.08</u>	<u>\$ -</u>	<u>\$ 2,924.08</u>

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

UNIFIED SCHOOL DISTRICT NO. 327  
ELLSWORTH, KANSAS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 1 Reporting Entity

Unified School district No. 327 is a municipal corporation governed by an elected seven-member Board of Education.

Note 2 Basis of Accounting

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

Unified School District No. 327 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, 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 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.

The financial statements include partial-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Unified School District No. 327's financial statements for the year ended June 30, 2010, from which such partial information was derived.

Note 3 Budgetary Information

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

UNIFIED SCHOOL DISTRICT NO. 327  
ELLSWORTH, KANSAS

NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 3 Budgetary Information (Cont.)

3. Public hearing on or before August 15th, but a least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and Encumbrances are commitments by the district for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

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

Title I Fund	Title IID Fund
Title I ARRA Fund	Title IID ARRA Fund
Title ID Fund	Contingency Fund
Title ID ARRA Fund	District Activity Fund
Title IIA Fund	

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 the governing body.

Note 4 Deposits and Investments

As of June 30, 2011, the district had the following investments and maturities in the Lila J. Young Memorial Scholarship. These investments are not covered by FDIC insurance.

<u>Investment Type</u>	<u>Investment Maturities</u>		
	<u>Fair Value</u>	<u>in Years</u>	<u>Rating</u>
CSB&T Money Market	\$ 7,628.60	N/A	N/A
Blackrock Equity Divid Fund Instl CI	2,080.60	N/A	Morningstar *****
Cohen & Steers Realty Fund #1262	1,329.73	N/A	Morningstar ****
Matthews Asian Growth & Income Fund #801	2,017.52	N/A	Morningstar *****
Neuberger Berman Equity FDS Genesis Fund	2,219.45	N/A	Morningstar *****
Royce Premier Fund #265	2,248.55	N/A	Morningstar *****
T Rowe Price New Era Fund 42	1,354.21	N/A	Morningstar ***
Templeton Global Bond Fund #406	3,496.93	N/A	Morningstar ****
Vanguard GNMA Fund #36	4,799.72	N/A	Morningstar *****
Vanguard Index Fds Total Stk Mkt	2,050.00	N/A	Morningstar ****
Vanguard Short-Term Bond Index	2,773.61	N/A	Morningstar ****
	<u>\$ 31,998.92</u>		

UNIFIED SCHOOL DISTRICT NO. 327  
ELLSWORTH, KANSAS

NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 4 Deposits and Investments (Cont.)

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the 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. The rating of the district's investments is noted above.

*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. The district's allocation of investments as of June 30, 2011, is as follows:

Investments	Percentage of Investments
Money Market	23.84%
Non-Secured Mutual Funds	76.16%

*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 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 required coverage is 50%. The district has not designated a peak period. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the district's carrying amount of deposits was \$1,856,042.70 and the bank balance \$2,339,810.04. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance \$418,138.99 was covered by federal depository insurance, and \$1,921,671.05 was collateralized with securities held by the pledging financial institutions' agents in the district's name.

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

At June 30, 2011, the district had invested \$29,786.68 in eleven different mutual funds managed by the trust department of Citizens State Bank. Their records reflect all activity to be in strict compliance with the terms of the written instrument governing the administration of this account. Market value of these funds at June 30, 2011 is \$31,998.92.

Note 5 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

UNIFIED SCHOOL DISTRICT NO. 327  
ELLSWORTH, KANSAS

NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 5 Defined Benefit Pension Plan (Cont.)

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% of covered salary or 6% if hired on or after July 1, 2009. Member-employees' contributions are withheld by their employer and paid to KPERs according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll for the period July 1, 2010 to June 30, 2011. These contributions are established by KPERs and are periodically revised. For more information please see the KPERs website at [www.kpers.org](http://www.kpers.org).

The State of Kansas' contributions to KPERs for all school municipalities for the years ending June 30, 2011, 2010, and 2009 were \$188,864,352.00 received as of June 30, 2011 (with the remaining balance due from the state of \$64,969,692.00, received by July 12, 2011), \$140,318,394.00 received as of June 30, 2010, (with the remaining balance due from the state of \$108,149,792.00, received by July 9, 2010), and \$242,277,363.00, respectively, equal to the statutory required contributions each year.

For the employer rates for school-type municipalities that hire a KPERs retiree, please see the main KPERs site at <http://kpers.org/contributionrates.htm>.

Note 6 Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	Capital Outlay Fund	K.S.A. 72-6428	\$ 438,533.79
General Fund	At-Risk Fund	K.S.A. 72-6428	145,000.00
General Fund	Food Service Fund	K.S.A. 72-6428	50,000.00
General Fund	Special Education Fund	K.S.A. 72-6428	615,133.00
General Fund	Vocational Education Fund	K.S.A. 72-6428	18,049.55
Supplemental General Fund	At-Risk Fund	K.S.A. 72-6433	301,800.00
Supplemental General Fund	Food Service Fund	K.S.A. 72-6433	52,000.00
Supplemental General Fund	Inservice Education Fund	K.S.A. 72-6433	6,000.00
Supplemental General Fund	Special Education Fund	K.S.A. 72-6433	123,838.47
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6433	119,950.45

UNIFIED SCHOOL DISTRICT NO. 327  
ELLSWORTH, KANSAS

NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 7 Other Post Employment Benefits

As Provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government 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 government under this program.

Note 8 Termination Benefits

The district provides an early retirement program for certain eligible employees. Employees who are currently full time licensed teacher employees, building principals, or a central office administrator of the district, is at least 53 years of age prior to commencement of the following school year, and has 20 or more years as a licensed teacher employee, building principal, or office administrator, or combination of the same with at least 10 of those years in Unified School District No. 327, are eligible. Those qualifying under the program are paid per a schedule with age increments and are eligible for up to a maximum of 12 annual payments prior to reaching age 65. Payments to eligible individuals under this plan were \$95,391.00 for the year ending June 30, 2011.

Note 9 Compensated Absences

The district provides compensation for absences. For an in depth understanding, the policy in its entirety should be reviewed.

Note 10 Subsequent Events

The district's management has evaluated events and transactions occurring after June 30, 2011 through February 2, 2011. The aforementioned date represents the date the financial statements were available to be issued.

Note 11 Compliance with Statutes

K.S.A. 10-1113 requires that each fund comply with the cash-basis laws of the State of Kansas. No commitments or indebtedness should be incurred unless there is available cash in the fund. K.S.A. 10-116A exempts expenditures by school districts that are in excess of current revenues if the deficit in revenues is caused by the late distribution of state aid.

The General and Supplemental General Funds expenditures exceeded the fund balance due to the final June state aid payment for the fiscal year ended June 30, 2011 being disbursed by the State of Kansas in July 2010. The June state aid payment received in July 2010 was \$329,440.00 for the General Fund and \$38,024.00 for the Supplemental General Fund.

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 two pages show the revenue as required by these Statutes.

UNIFIED SCHOOL DISTRICT NO. 327  
ELLSWORTH, KANSAS

NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Statutory Revenues and Expenditures - Statutory and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

Note 11 - Compliance with Statutes (Cont.)

General Fund	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and shared Revenue:				
Ad Valorem Property Tax	\$ 575,204.05	\$ 583,082.06	\$ 548,935.00	\$ 34,147.06
Delinquent Tax	4,636.18	7,765.08	7,387.00	378.08
Mineral and Excise Tax	833.20	1,939.46	1,000.00	939.46
State Aid:				
General State Aid	3,419,317.00	3,248,620.00	3,580,222.00	(331,602.00)
Special Education Services Aid	475,392.00	515,133.00	565,860.00	(50,727.00)
Federal Aid:				
ARRA Stabilization Funds	<u>230,293.00</u>	<u>233,609.00</u>	<u>84,918.00</u>	<u>148,691.00</u>
<b>Total Cash Receipts</b>	<b><u>\$ 4,705,675.43</u></b>	<b><u>\$ 4,590,148.60</u></b>	<b><u>\$ 4,788,322.00</u></b>	<b><u>\$ (198,173.40)</u></b>
<b>Expenditures</b>				
Instruction	2,097,405.43	1,936,061.54	\$ 2,206,994.00	\$ (270,932.46)
Student Support Services	164,403.49	166,252.11	174,765.00	(8,512.89)
Instructional Support Services	116,281.49	114,521.45	126,350.00	(11,828.55)
General Administration	176,610.23	178,294.61	181,900.00	(3,605.39)
School Administration	293,814.28	222,745.70	223,973.00	(1,227.30)
Operations and Maintenance	430,404.05	453,885.46	448,060.00	5,825.46
Transportation	125,336.87	110,998.31	138,010.00	(27,011.69)
Other Supplemental Service	49,403.68	140,672.48	416,650.00	(275,977.52)
Operating Transfers	1,252,015.48	1,266,716.34	871,620.00	395,096.34
Adjustment to Comply with Legal Max	-	-	(198,174.00)	198,174.00
<b>Legal General Fund Budget</b>	<b><u>4,705,675.00</u></b>	<b><u>4,590,148.00</u></b>	<b><u>\$ 4,590,148.00</u></b>	<b><u>\$ -</u></b>
Receipts Over (Under) Expenditures	0.43	0.60		
Unencumbered Cash, Beginning	-	<u>0.43</u>		
Unencumbered Cash, Ending	<u>\$ 0.43</u>	<u>\$ 1.03</u>		

UNIFIED SCHOOL DISTRICT NO. 327  
ELLSWORTH, KANSAS

NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Statutory Revenues and Expenditures - Statutory and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

Note 11 - Compliance with Statutes (Cont.)

Supplemental General Fund	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and shared Revenue:				
Ad Valorem Property Tax	\$ 659,805.69	\$ 817,597.56	\$ 759,334.00	\$ 58,263.56
Delinquent Tax	6,274.13	9,973.15	8,436.00	1,537.15
Motor Vehicle Tax	80,214.45	83,918.38	91,886.00	(7,967.62)
16/20 M Tax	6,380.10	6,296.57	-	6,296.57
RV Tax	1,438.56	1,445.35	1,473.00	(27.65)
State Aid:				
Supplemental General State Aid	513,679.00	649,926.00	659,951.00	(10,025.00)
Federal Aid:				
ARRA Stabilization Funds	174,528.00	-	-	-
<b>Total Cash Receipts</b>	<b>1,442,319.93</b>	<b>1,569,157.01</b>	<b>1,521,080.00</b>	<b>48,077.01</b>
<b>Expenditures</b>				
Instruction	166,970.13	113,577.76	\$ 157,940.00	\$ (44,362.24)
Instructional Support Staff	16,526.39	15,472.97	24,595.00	(9,122.03)
General Administration	95,390.51	127,835.50	104,000.00	23,835.50
School Administration	7,961.79	2,803.64	10,000.00	(7,196.36)
Operations and Maintenance	315,426.02	351,994.66	364,050.00	(12,055.34)
Transportation	104,118.85	115,406.55	120,000.00	(4,593.45)
Other Supplemental Service	248,041.00	201,756.00	-	201,756.00
Operating Transfers	497,565.31	603,588.92	770,415.00	(166,826.08)
Adjustment to Comply with Legal Max	-	-	(18,564.00)	18,564.00
<b>Total Expenditures</b>	<b>1,452,000.00</b>	<b>1,532,436.00</b>	<b>\$ 1,532,436.00</b>	<b>\$ -</b>
Receipts Over (Under) Expenditures	(9,680.07)	36,721.01		
Unencumbered Cash, Beginning	39,599.66	29,919.59		
<b>Unencumbered Cash, Ending</b>	<b>\$ 29,919.59</b>	<b>\$ 66,640.60</b>		

UNIFIED SCHOOL DISTRICT NO. 327

NOTES TO FINANCIAL STATEMENTS (Cont.)

June 30, 2011

Note 12 Long-Term Debt

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Capital Leases										
Performing Arts - 1998A	4.2%/5.15%	4/15/1998	\$ 1,080,000.00	6/1/2012	\$ 235,000.00	\$ -	\$ 115,000.00	\$ -	\$ 120,000.00	\$ 12,045.00
Energy Conservation Impr.	4.50%	5/25/2004	315,000.00	5/25/2014	140,687.34	-	33,573.25	-	107,114.09	5,723.99
Total Contractual Indebtedness			<u>1,395,000.00</u>		<u>375,687.34</u>	<u>-</u>	<u>148,573.25</u>	<u>-</u>	<u>227,114.09</u>	<u>17,768.99</u>
Compensated Absences					<u>564,165.23</u>	<u>-</u>	<u>-</u>	<u>46,997.37</u>	<u>611,162.60</u>	<u>-</u>
Total Long-Term Debt					<u>\$ 939,852.57</u>	<u>\$ -</u>	<u>\$ 148,573.25</u>	<u>\$ 46,997.37</u>	<u>\$ 838,276.69</u>	<u>\$ 17,768.99</u>

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

	Year			
	2012	2013	2014	Total
Principal:				
Performing Arts - 1998A	\$ 120,000.00	\$ -	\$ -	\$ 120,000.00
Energy Conservation Impr	35,126.86	36,774.07	35,213.16	107,114.09
Total Principal	<u>155,126.86</u>	<u>36,774.07</u>	<u>35,213.16</u>	<u>227,114.09</u>
Interest:				
Performing Arts - 1998A	6,180.00	-	-	6,180.00
Energy Conservation Impr	4,170.38	2,523.17	809.31	7,502.86
Total Interest	<u>10,350.38</u>	<u>2,523.17</u>	<u>809.31</u>	<u>13,682.86</u>
Total Principal and Interest	<u>\$ 165,477.24</u>	<u>\$ 39,297.24</u>	<u>\$ 36,022.47</u>	<u>\$ 240,796.95</u>

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2011

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Pass-through program from Kansas State Department of Education			
School Breakfast Program	10.553	3529-3490	\$ 29,137.76
National School Lunch Program	10.555	3530-3500	108,693.44
National School Lunch Program (Cash for Commodities)	10.555	3530-3500	<u>18,336.96</u>
Total Child Nutrition Cluster			156,168.16
Federal School Food Service	10.560	3230-3020	224.88
Team Nutrition Training Grants	10.574	3230-3020	<u>755.00</u>
Total Pass-through Programs			<u>157,148.04</u>
Total U.S. Department of Agriculture			<u>157,148.04</u>
U.S. Department of Education:			
Pass-through program from Kansas State Department of Education			
Title I Grants to Local Education Agencies	84.010	3532-3520	76,623.00
Title I Grants to Local Education Agencies - Sec 2 Delinquent	84.010	3233-3040	68,368.00
Title I Grants to Local Education Agencies Recovery Act	84.389	3532-3525	<u>30,027.00</u>
Total Title I, Part A Cluster			<u>175,018.00</u>
Education Technology State Grants	84.318	3233-3040	282.00
Improving Teacher Quality State Grants	84.367	3526-3860	22,837.00
State Fiscal Stabilization Fund - Education State Grants Recovery Act	84.394	3790-3790	84,918.00
Education Jobs Fund	84.410	3551-3551	<u>148,691.00</u>
Total Pass-through Programs			<u>431,746.00</u>
Total U.S. Department of Education			<u>431,746.00</u>
Total Expenditures of Federal Awards			<u>\$ 588,894.04</u>

See accompanying notes to schedule of expenditures of federal awards.

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2011

Note 1 Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Unified School District No. 327 and is presented on the statutory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

Schedule 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2011

2010-1 Significant Deficiency - Internal Control Over Financial Reporting

Condition: Unified School District No. 327 maintains financial records which accurately report revenues and expenditures throughout the year and prepares year end adjusting and closing entries necessary to prepare the financial statements in accordance with accounting practices prescribed or permitted by the State of Kansas. The district does not prepare the related notes and disclosures to the financial statements.

Criteria: Accounting personnel should have adequate training and skills to be able to prepare the financial statements and the related notes to those financial statements.

Effect: Unified School District No. 327 relies on auditor assistance to prepare the financial statements in the format mandated by the *Kansas Municipal Audit Guide* as well as to prepare the related notes to the financial statements.

Recommendation: The auditor recommended that Unified School District No. 327 weigh the costs of correcting the deficiency versus the benefits.

Response: This is not uncommon in relatively small units of government and is considered financially impractical.



Certified Public Accountants



Robert I. Clubine, C.P.A.  
David A. Rettele, C.P.A.  
Jay D. Langley, C.P.A.  
Jon K. Bell, C.P.A.  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Unified School District No. 327  
Ellsworth, Kansas

We have audited the financial statements of Unified School District No. 327, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated February 2, 2012. The report on Unified School District No. 327 was qualified as the financial statements were prepared using accounting practices prescribed or permitted by the State of Kansas and these practices differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*, prescribed by the Director of Accounts and Reports, Department of Administration of the State of Kansas.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Unified School District No. 327's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Unified School District No. 327's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 327's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

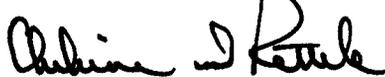
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Unified School District No. 327's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of Unified School District No. 327 in a separate letter dated February 2, 2012.

This report is intended solely for the information and use of management, Board of Education, others within the entity, 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.

Clubine and Rettele, Chartered

A handwritten signature in black ink, appearing to read "Clubine and Rettele". The signature is written in a cursive style with a large initial 'C' and 'R'.

Salina, Kansas  
February 2, 2012



Certified Public Accountants



Robert I. Clubine, C.P.A.  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Unified School District No. 327  
Ellsworth, Kansas

**Compliance**

We have audited the compliance of Unified School District No. 327, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2011. Unified School District No. 327's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Unified School District No. 327's management. Our responsibility is to express an opinion on Unified School District No. 327's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unified School District No. 327's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Unified School District No. 327's compliance with those requirements.

In our opinion, Unified School District No. 327 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2011.

**Internal Control Over Compliance**

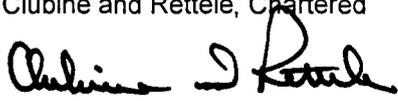
Management of Unified School District No. 327 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Unified School District No. 327's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 327'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 described above.

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

Clubine and Rettele, Chartered

A handwritten signature in black ink, appearing to read "Clubine and Rettele". The signature is written in a cursive style with a large initial 'C' and 'R'.

Salina, Kansas  
February 2, 2012

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

Schedule 3

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

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Unified School District No. 327 which are prepared using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America.
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and is disclosed in the Schedule of Findings and Questioned Costs under Findings - Financial Statements Audit.
3. No instances of noncompliance material to the financial statements of Unified School District No. 327, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Unified School District No. 327 expresses an unqualified opinion on all major federal programs.
6. The programs tested as major programs include:
  - 10.553 School Breakfast Program
  - 10.555 National School Lunch Program
  - 10.555 National School Lunch Program (Cash for Commodities)
  - 84.010 Title I Grants to Local Education Agencies
  - 84.010 Title I Grants to Local Education Agencies - Sec 2 Delinquent
  - 84.389 Title I Grants to Local Education Agencies Recovery Act
7. The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.00.
8. Unified School District No. 327 did not qualify as a low-risk auditee under OMB Circular A-133, as single audits were not required for the two years immediately preceding June 30, 2011.

UNIFIED SCHOOL DISTRICT NO. 327  
Ellsworth, Kansas

Schedule 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)  
For the Fiscal Year Ended June 30, 2011

**FINDINGS - FINANCIAL STATEMENT AUDIT**

2011-1 Significant Deficiency

Condition: Our firm has been asked to prepare the financial statements for the Unified School District No. 327, however, our firm cannot be considered part of the internal control structure of the District in regard to the preparation of the financial statements.

Criteria: United School District No. 327 prepares its financial statements in accordance 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, in accordance with the reporting and formatting requirements displayed in the *Kansas Municipal Audit Guide*.

Effect: We consider this condition related to external financial statement and other supplement information preparation to be a significant deficiency under the standards established by the American Institute of Certified Public Accountants.

Cause: District personnel do have the skill and knowledge to process all the financial transactions and the ability to issue the internal financial statements needed to provide appropriate budget and operating information to the District governing body on an as needed basis. However, the District has no policy or procedures related to the preparation of the external financial statements.

Recommendation: To strengthen internal control over financial statement preparation, we recommend obtaining a current copy of the *Kansas Municipal Audit Guide*, and for the District to adopt a policy that annual financial statements will be reviewed prior to being subjected to audit.

Schedule 4

CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2011

None required.