

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS

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FINANCIAL STATEMENTS  
(with Independent Auditors' Report thereon)

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For the Year Ended June 30, 2011

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UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
FINANCIAL STATEMENTS  
Year ended June 30, 2011

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# Kramer & Associates CPAs, LLC

*Making the right move for your business*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Unified School District No. 342,  
McLouth, Kansas

We have audited the accompanying financial statements of Unified School District No. 342, McLouth, Kansas, as of and for the year ended June 30, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2010 and, in our report dated November 8, 2010, we expressed an unqualified opinion on the financial statements in accordance with the cash basis and budget laws of the State of Kansas and an adverse opinion on the financial statements in accordance with generally accepted accounting principles (see Note 1).

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, Unified School District No. 342, McLouth, Kansas, has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 342, McLouth, Kansas, as of June 30, 2011, or the changes in its financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 342, McLouth, Kansas, as of June 30, 2011, and its cash receipts and expenditures and budget to actual comparisons, taken as a whole, for the year then ended, on the basis of accounting described in Note 1.

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

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

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

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
October 10, 2011

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
YEAR ENDED JUNE 30, 2011

Funds	Beginning unencumbered cash balance	Prior year canceled encumbrances	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
<b>Governmental type funds:</b>							
General funds:							
General	\$ (269,379)	\$ -	\$ 3,878,192	\$ 3,855,670	\$ (246,857)	\$ 82,918	\$ (163,939)
Supplemental general	(45,482)	-	1,202,183	1,155,600	1,101	138,237	139,338
Special revenue funds:							
At risk (4 year olds)	-	-	84,237	64,237	20,000	535	20,535
At risk (K-12)	-	-	241,206	241,206	-	2,248	2,248
Capital outlay	465,938	-	271,170	150,009	587,099	128,911	716,010
Driver training	7,223	-	5,628	4,952	7,899	-	7,899
Extraordinary school program	1,516	-	900	-	2,416	-	2,416
Food service	25,170	-	235,454	212,681	47,943	2,063	50,006
Professional development	-	-	23,040	3,040	20,000	-	20,000
Special education	302,528	-	710,825	688,353	325,000	638	325,638
Vocational education	-	-	110,918	110,918	-	-	-
Gifts and grants	22,448	-	15,705	7,830	30,323	264	30,587
Textbook rental	97,676	-	44,176	2,861	138,991	-	138,991
KPERs contribution	-	-	171,349	171,349	-	-	-
Contingency reserve	375,177	-	-	-	375,177	-	375,177
Federal funds	-	-	119,843	119,843	-	6,387	6,387
District activity funds	9,085	-	40,003	40,353	8,735	-	8,735
Debt service fund:							
Bond and interest	4,614	-	-	-	4,614	-	4,614
Private purpose trust funds:							
Wellman Memorial	21,288	-	224	400	21,112	-	21,112
Cook Scholarship	1,310	-	3	-	1,313	-	1,313
Campbell Scholarship	7,410	-	263	300	7,373	-	7,373
Edmonds Scholarship	88,333	-	1,716	2,000	88,049	-	88,049
Braksick Scholarship	109,288	-	1,523	3,000	107,811	-	107,811
Bogard Scholarship	9,403	-	735	500	9,638	-	9,638
Total primary government	1,233,546	-	7,159,293	6,835,102	1,557,737	362,201	1,919,938
Component unit:							
Recreation Commission	196,098	-	87,262	56,450	226,910	-	226,910
Total reporting entity	\$ 1,429,644	\$ -	\$ 7,246,555	\$ 6,891,552	\$ 1,784,647	\$ 362,201	\$ 2,146,848
(excluding agency funds)							
Composition of cash:							
Checking							\$ 1,604,536
Checking - activity accounts							56,082
Money market							202,566
Scholarship checking							11,579
Scholarship certificates of deposit							223,717
Recreation Commission checking							1,138
Recreation Commission certificates of deposit							94,577
Total cash							2,194,195
Less agency funds							(47,347)
Total reporting entity (excluding agency funds)							\$ 2,146,848

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
YEAR ENDED JUNE 30, 2011

Funds	Certified budget	Adjustment to comply with legal max	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance - over (under)
<b>Governmental type funds:</b>						
General	\$ 4,000,000	\$ (191,322)	\$ 46,993	\$ 3,855,671	\$ 3,855,670	\$ 1
Supplemental general	\$ 1,155,600	\$ -	\$ -	\$ 1,155,600	\$ 1,155,600	\$ -
<b>Special revenue funds:</b>						
At risk (4 year olds)	\$ 70,000	\$ -	\$ -	\$ 70,000	\$ 64,237	\$ 5,763
At risk (K-12)	\$ 301,301	\$ -	\$ -	\$ 301,301	\$ 241,206	\$ 60,095
Capital outlay	\$ 417,992	\$ -	\$ -	\$ 417,992	\$ 150,009	\$ 267,983
Driver training	\$ 15,213	\$ -	\$ -	\$ 15,213	\$ 4,952	\$ 10,261
Extraordinary school program	\$ 20,150	\$ -	\$ -	\$ 20,150	\$ -	\$ 20,150
Food service	\$ 250,000	\$ -	\$ -	\$ 250,000	\$ 212,681	\$ 37,319
Professional development	\$ 10,000	\$ -	\$ -	\$ 10,000	\$ 3,040	\$ 6,960
Special education	\$ 856,382	\$ -	\$ 4,072	\$ 860,454	\$ 688,353	\$ 172,101
Vocational education	\$ 121,142	\$ -	\$ -	\$ 121,142	\$ 110,918	\$ 10,224
Gifts and grants	\$ 40,448	\$ -	\$ -	\$ 40,448	\$ 7,830	\$ 32,618
KPERs contribution	\$ 236,725	\$ -	\$ -	\$ 236,725	\$ 171,349	\$ 65,376
Federal funds	\$ 147,102	\$ -	\$ -	\$ 147,102	\$ 119,843	\$ 27,259
<b>Debt service fund:</b>						
Bond and interest	\$ 4,613	\$ -	\$ -	\$ 4,613	\$ -	\$ 4,613
<b>Component unit:</b>						
Recreation Commission	\$ 246,500	\$ -	\$ -	\$ 246,500	\$ 56,450	\$ 190,050

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
<b>Cash receipts:</b>				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 22,239	\$ 24,170	\$ 14,057	\$ 10,113
Ad valorem property - current taxes	468,414	491,471	465,936	25,535
Delinquent	22,519	16,424	12,791	3,633
Tuition	-	-	32,533	(32,533)
State aid:				
Equalization aid	2,734,509	2,611,108	2,859,018	(247,910)
Special education services	569,033	498,830	547,120	(48,290)
Mineral production tax	468	629	-	629
Federal aid:				
ARRA stabilization	189,862	68,545	68,545	-
Education jobs fund	-	120,022	-	120,022
Reimbursed expenses	36,703	46,993	-	46,993
<b>Total cash receipts</b>	<b>4,043,747</b>	<b>3,878,192</b>	<b>\$ 4,000,000</b>	<b>\$ (121,808)</b>
<b>Expenditures and transfers subject to budget:</b>				
Instruction	1,770,340	1,642,959	\$ 1,851,475	\$ 208,516
Student support services	135,406	138,680	139,221	541
Instructional support staff	47,001	52,068	46,612	(5,456)
General administration	140,392	133,593	147,483	13,890
School administration	257,543	245,704	228,380	(17,324)
Central services	148,944	159,758	169,340	9,582
Operations and maintenance	289,460	332,162	226,450	(105,712)
Student transportation services	64,024	44,214	69,210	24,996
Food service operations	6,027	-	-	-
Transfers out	1,161,081	1,106,532	1,121,829	15,297
Adjustment to comply with legal max	-	-	(191,322)	(191,322)
Legal general fund budget	4,020,218	3,855,670	3,808,678	(46,992)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	46,993	46,993
<b>Total expenditures and transfers subject to budget</b>	<b>4,020,218</b>	<b>3,855,670</b>	<b>\$ 3,855,671</b>	<b>\$ 1</b>
Receipts over (under) expenditures	23,529	22,522		
Unencumbered cash, beginning of year	(292,908)	(269,379)		
Unencumbered cash, end of year	\$ (269,379)	\$ (246,857)		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SUPPLEMENTAL GENERAL FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
<b>Cash receipts:</b>				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 22,086	\$ 29,905	\$ 18,414	\$ 11,491
Ad valorem property - current taxes	566,728	565,225	529,521	35,704
Delinquent	21,193	16,849	15,501	1,348
Motor vehicle	71,843	80,169	99,812	(19,643)
Recreational vehicle	1,472	1,696	2,060	(364)
State aid:				
Equalization aid	355,421	508,339	439,082	69,257
Federal aid:				
ARRA stabilization	125,231	-	-	-
<b>Total cash receipts</b>	<b>1,163,974</b>	<b>1,202,183</b>	<b>\$ 1,104,390</b>	<b>\$ 97,793</b>
<b>Expenditures and transfers subject to budget:</b>				
Instruction	304,895	235,658	\$ 225,900	\$ (9,758)
Student support services	28,053	29,230	27,500	(1,730)
Instructional support staff	12,746	10,699	18,500	7,801
General administration	80,854	57,464	85,561	28,097
School administration	34,427	25,277	34,860	9,583
Central services	2,083	247	2,250	2,003
Operations and maintenance	226,120	256,375	306,343	49,968
Student transportation services	115,554	182,140	141,600	(40,540)
Transfers out	350,868	358,510	313,086	(45,424)
Adjustment to comply with legal max				
Legal supplemental general fund budget	1,155,600	1,155,600	1,155,600	-
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
<b>Total expenditures and transfers subject to budget</b>	<b>1,155,600</b>	<b>1,155,600</b>	<b>\$ 1,155,600</b>	<b>\$ -</b>
Receipts over (under) expenditures	8,374	46,583		
Unencumbered cash, beginning of year	(53,856)	(45,482)		
Unencumbered cash, end of year	\$ (45,482)	\$ 1,101		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 AT RISK (4 YEAR OLDS) FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 49,394	\$ 64,237	\$ 70,000	\$ (5,763)
Supplemental general fund	—	20,000	—	20,000
Total cash receipts	<u>49,394</u>	<u>84,237</u>	<u>\$ 70,000</u>	<u>\$ 14,237</u>
Expenditures subject to budget:				
Instruction	42,024	59,597	\$ 68,159	\$ 8,562
Student transportation services	7,370	4,640	1,841	(2,799)
Adjustment for qualifying budget credits	—	—	—	—
Total expenditures subject to budget	<u>49,394</u>	<u>64,237</u>	<u>\$ 70,000</u>	<u>\$ 5,763</u>
Receipts over (under) expenditures	—	20,000		
Unencumbered cash, beginning of year	—	—		
Unencumbered cash, end of year	<u>\$ —</u>	<u>\$ 20,000</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 AT RISK (K-12) FUND  
 YEAR ENDED JUNE 20, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 249,500	\$ 222,070	\$ 301,301	\$ (79,231)
Supplemental general fund	—	19,136	—	19,136
Total cash receipts	<u>249,500</u>	<u>241,206</u>	<u>\$ 301,301</u>	<u>\$ (60,095)</u>
Expenditures subject to budget:				
Instruction	247,390	237,802	\$ 290,461	\$ 52,659
Instructional support staff	—	1,778	—	(1,778)
Student transportation services	2,110	1,626	10,840	9,214
Adjustment for qualifying budget credits	—	—	—	—
Total expenditures subject to budget	<u>249,500</u>	<u>241,206</u>	<u>\$ 301,301</u>	<u>\$ 60,095</u>
Receipts over (under) expenditures	—	—		
Unencumbered cash, beginning of year	—	—		
Unencumbered cash, end of year	<u>\$ —</u>	<u>\$ —</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 CAPITAL OUTLAY FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 5,136	\$ -	\$ -	\$ -
Ad valorem property - current taxes	(1)	-	-	-
Delinquent	3,848	2,637	-	2,637
Motor vehicle	17,362	12,591	-	12,591
Recreational vehicle	356	280	-	280
Investment income	4,313	4,764	-	4,764
Miscellaneous	3,626	776	-	776
Transfers in:				
General fund	173,002	250,122	115,600	134,522
Total cash receipts	<u>207,642</u>	<u>271,170</u>	<u>\$ 115,600</u>	<u>\$ 155,570</u>
Expenditures subject to budget:				
Operations and maintenance	7,500	-	\$ 45,000	\$ 45,000
Facilities acquisition and construction	10,706	150,009	245,000	94,991
Principal	-	-	92,026	92,026
Interest	-	-	35,966	35,966
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	<u>18,206</u>	<u>150,009</u>	<u>\$ 417,992</u>	<u>\$ 267,983</u>
Receipts over (under) expenditures	189,436	121,161		
Unencumbered cash, beginning of year	<u>276,502</u>	<u>465,938</u>		
Unencumbered cash, end of year	<u>\$ 465,938</u>	<u>\$ 587,099</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 DRIVER TRAINING FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
Driver training	\$ 1,300	\$ 1,998	\$ 2,380	\$ (382)
Other revenue from local sources	4,401	3,630	5,610	(1,980)
Total cash receipts	<u>5,701</u>	<u>5,628</u>	<u>\$ 7,990</u>	<u>\$ (2,362)</u>
Expenditures subject to budget:				
Instruction	4,361	4,567	\$ 14,413	\$ 9,846
Operations and maintenance	419	385	800	415
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	<u>4,780</u>	<u>4,952</u>	<u>\$ 15,213</u>	<u>\$ 10,261</u>
Receipts over (under) expenditures	921	676		
Unencumbered cash, beginning of year	<u>6,302</u>	<u>7,223</u>		
Unencumbered cash, end of year	<u>\$ 7,223</u>	<u>\$ 7,899</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 EXTRAORDINARY SCHOOL PROGRAM FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Charge for services	\$ 8,620	\$ 900	\$ 13,000	\$ (12,100)
Other revenue from local sources	-	-	7,000	(7,000)
Total cash receipts	<u>8,620</u>	<u>900</u>	<u>\$ 20,000</u>	<u>\$ (19,100)</u>
Expenditures subject to budget:				
Instruction	8,094	-	\$ 20,150	\$ 20,150
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	<u>8,094</u>	<u>-</u>	<u>\$ 20,150</u>	<u>\$ 20,150</u>
Receipts over (under) expenditures	526	900		
Unencumbered cash, beginning of year	<u>990</u>	<u>1,516</u>		
Unencumbered cash, end of year	<u>\$ 1,516</u>	<u>\$ 2,416</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 FOOD SERVICE FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid:				
National school lunch/breakfast program	\$ 103,007	\$ 111,389	\$ 102,304	\$ 9,085
State aid:				
School food assistance	2,809	2,659	2,257	402
Charges for services	94,661	95,360	97,643	(2,283)
Miscellaneous	7,691	1,046	10,000	(8,954)
Transfers in:				
General fund	-	-	16,535	(16,535)
Supplemental general fund	-	25,000	-	25,000
 Total cash receipts	 208,168	 235,454	 \$ 228,739	 \$ 6,715
 Expenditures subject to budget:				
Operations and maintenance	534	579	\$ 600	\$ 21
Food service operations	199,765	212,102	249,400	37,298
Adjustment for qualifying budget credits	-	-	-	-
 Total expenditures subject to budget	 200,299	 212,681	 \$ 250,000	 \$ 37,319
 Receipts over (under) expenditures	 7,869	 22,773		
 Unencumbered cash, beginning of year	 17,301	 25,170		
 Unencumbered cash, end of year	 \$ 25,170	 \$ 47,943		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 PROFESSIONAL DEVELOPMENT FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Miscellaneous	\$ 95	\$ -	\$ -	\$ -
Transfers in:				
General fund	32	-	-	-
Supplemental general fund	3,669	23,040	10,000	13,040
Total cash receipts	3,796	23,040	\$ 10,000	\$ 13,040
Expenditures subject to budget:				
Instructional support staff	4,218	3,040	\$ 10,000	\$ 6,960
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	4,218	3,040	\$ 10,000	\$ 6,960
Receipts over (under) expenditures	(422)	20,000		
Unencumbered cash, beginning of year	422	-		
Unencumbered cash, end of year	\$ -	\$ 20,000		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SPECIAL EDUCATION FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Miscellaneous	\$ 214	\$ 1,234	\$ -	\$ 1,234
Transfers in:				
General fund	569,033	498,830	547,120	(48,290)
Supplemental general fund	276,659	206,689	253,217	(46,528)
Reimbursements	4,346	4,072	-	4,072
Total cash receipts	<u>850,252</u>	<u>710,825</u>	<u>\$ 800,337</u>	<u>\$ (89,512)</u>
Expenditures subject to budget:				
Instruction	758,871	628,035	\$ 656,012	\$ 27,977
Vehicle operating services	64,516	60,318	200,370	140,052
Adjustment for qualifying budget credits	-	-	4,072	4,072
Total expenditures subject to budget	<u>823,387</u>	<u>688,353</u>	<u>\$ 860,454</u>	<u>\$ 172,101</u>
Receipts over (under) expenditures	26,865	22,472		
Unencumbered cash, beginning of year	<u>275,663</u>	<u>302,528</u>		
Unencumbered cash, end of year	<u>\$ 302,528</u>	<u>\$ 325,000</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 VOCATIONAL EDUCATION FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 40,120	\$ 71,273	\$ 71,273	\$ -
Supplemental general fund	45,540	39,645	49,869	(10,224)
Total cash receipts	<u>85,660</u>	<u>110,918</u>	<u>\$ 121,142</u>	<u>\$ (10,224)</u>
Expenditures subject to budget:				
Instruction	85,660	110,918	\$ 121,142	\$ 10,224
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	<u>85,660</u>	<u>110,918</u>	<u>\$ 121,142</u>	<u>\$ 10,224</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 GIFTS AND GRANTS FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Other revenue from local sources	\$ 8,269	\$ 15,705	\$ 15,000	\$ 705
Miscellaneous	-	-	3,000	(3,000)
Total cash receipts	<u>8,269</u>	<u>15,705</u>	<u>\$ 18,000</u>	<u>\$ (2,295)</u>
Expenditures subject to budget:				
Instruction	3,759	7,830	\$ 40,448	\$ 32,618
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	<u>3,759</u>	<u>7,830</u>	<u>\$ 40,448</u>	<u>\$ 32,618</u>
Receipts over (under) expenditures	4,510	7,875		
Unencumbered cash, beginning of year	<u>17,938</u>	<u>22,448</u>		
Unencumbered cash, end of year	<u>\$ 22,448</u>	<u>\$ 30,323</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 TEXTBOOK RENTAL FUND\*  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year actual
Cash receipts:		
Charge for services	\$ 21,323	\$ 19,176
Transfers in:		
Supplemental general fund	25,000	25,000
Total cash receipts	<u>46,323</u>	<u>44,176</u>
Expenditures:		
Instruction	<u>7,344</u>	<u>2,861</u>
Total expenditures	<u>7,344</u>	<u>2,861</u>
Receipts over (under) expenditures	38,979	41,315
Unencumbered cash, beginning of year	<u>58,697</u>	<u>97,676</u>
Unencumbered cash, end of year	<u>\$ 97,676</u>	<u>\$ 138,991</u>

\* This fund is not required to be budgeted.

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 KPERS CONTRIBUTION FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
KPERS retirement contributions	\$ 205,848	\$ 171,349	\$ 236,725	\$ (65,376)
Total cash receipts	<u>205,848</u>	<u>171,349</u>	<u>\$ 236,725</u>	<u>\$ (65,376)</u>
Expenditures subject to budget:				
Instruction	137,814	112,068	\$ 152,570	\$ 40,502
Student support services	9,754	8,496	10,671	2,175
Instructional support staff	3,613	2,999	4,455	1,456
General administration	7,986	6,927	8,529	1,602
School administration	18,520	15,212	17,430	2,218
Central services	3,339	2,984	4,139	1,155
Operations and maintenance	11,318	10,767	17,797	7,030
Student transportation services	8,295	7,658	15,670	8,012
Food service operations	5,209	4,238	5,464	1,226
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	<u>205,848</u>	<u>171,349</u>	<u>\$ 236,725</u>	<u>\$ 65,376</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 CONTINGENCY RESERVE FUND\*  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year actual
Cash receipts:		
Transfers in:		
General fund	\$ 80,000	\$ -
Total cash receipts	80,000	-
Expenditures:		
Supplies, repairs, and equipment	-	-
Total expenditures	-	-
Receipts over (under) expenditures	80,000	-
Unencumbered cash, beginning of year	295,177	375,177
Unencumbered cash, end of year	\$ 375,177	\$ 375,177

\* This fund is not required to be budgeted.

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 FEDERAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid:				
Title I	\$ 96,692	\$ 61,499	\$ 61,405	\$ 94
Title II	23,636	21,686	21,697	(11)
Drug free	1,470	-	-	-
Rural education achievement program	31,897	36,658	64,000	(27,342)
School preparedness	750	-	-	-
Total cash receipts	<u>154,445</u>	<u>119,843</u>	<u>\$ 147,102</u>	<u>\$ (27,259)</u>
Expenditures subject to budget:				
Instruction	120,157	80,705	\$ 83,102	\$ 2,397
Student support services	658	-	-	-
Instructional support staff	33,630	39,138	64,000	24,862
Total expenditures subject to budget	<u>154,445</u>	<u>119,843</u>	<u>\$ 147,102</u>	<u>\$ 27,259</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 BOND AND INTEREST FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Delinquent	\$ -	\$ -	\$ -	\$ -
Total cash receipts	-	-	\$ -	\$ -
Expenditures subject to budget:				
Principal	-	-	\$ 4,613	\$ 4,613
Interest	-	-	-	-
Fiscal charges	-	-	-	-
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	-	-	\$ 4,613	\$ 4,613
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	4,614	4,614		
Unencumbered cash, end of year	\$ 4,614	\$ 4,614		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL  
 AGENCY FUNDS  
 Year ended June 30, 2011

	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Student activity funds:				
ACTS	\$ 33	\$ —	\$ —	\$ 33
Art club	152	36	—	188
Band fund	5,213	11,674	3,590	13,297
Elementary reading club	652	3,682	2,927	1,407
CCCC	2,807	—	—	2,807
Chorus	157	—	—	157
Class of 2004	188	—	—	188
Class of 2005	303	—	—	303
Class of 2006	280	—	—	280
Class of 2007	759	—	—	759
Class of 2008	136	—	—	136
Class of 2009	305	—	—	305
Class of 2010	1,114	—	—	1,114
Class of 2011	243	636	766	113
Class of 2012	2,142	3,876	4,334	1,684
Class of 2013	993	214	118	1,089
Class of 2014	469	—	—	469
Class of 2015	133	1,772	1,527	378
Class of 2017	—	42	—	42
Elementary school student council	918	502	1,033	387
Entrepreneurship class	1,554	12,529	11,508	2,575
FCCLA	671	1,081	1,470	282
Foreign language	290	5,575	5,573	292
High school pep club	6	—	—	6
High school student council	1,927	4,926	3,693	3,160
High school cheerleaders	1,846	25,883	20,514	7,215
Middle school student council	19	3	—	22
Middle school pep club and cheerleaders	1,864	5,951	5,242	2,573
M-Club	24	883	880	27
National honor society	130	562	514	178
QPA	6	—	—	6
RIF	153	2	—	155
YADA	293	103	—	396
Safe prom	444	2,962	2,529	877
Football	628	5,421	5,821	228
Volleyball	185	1,388	1,275	298
Boys basketball	1,393	2,903	2,328	1,968
Softball	464	3,872	3,467	869
FCA	214	—	—	214
Baseball	112	—	—	112
Girls basketball	1	—	—	1
<b>Total student activity funds</b>	<b>29,221</b>	<b>96,478</b>	<b>79,109</b>	<b>46,590</b>

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL  
 AGENCY FUNDS  
 Year ended June 30, 2011

	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Fees and user charges:				
Textbook	-	191	191	-
Yearbook	-	3,962	3,962	-
Industrial arts	-	3,060	3,060	-
PTO field trips	-	2,328	2,328	-
Miscellaneous	-	8,576	8,576	-
	<u>-</u>	<u>18,117</u>	<u>18,117</u>	<u>-</u>
Total fees and user charges	-	18,117	18,117	-
Other agency funds:				
Sales tax	270	6,464	5,977	757
	<u>270</u>	<u>6,464</u>	<u>5,977</u>	<u>757</u>
Subtotal other agency funds	270	6,464	5,977	757
Total agency fund	<u>\$ 29,491</u>	<u>\$ 121,059</u>	<u>\$ 103,203</u>	<u>\$ 47,347</u>

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH - ACTUAL  
 DISTRICT ACTIVITY FUNDS  
 Year ended June 30, 2011

	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
District activity funds:						
Gate receipts	\$ -	\$ 29,119	\$ 28,936	\$ 183	\$ -	\$ 183
Concessions	9,085	10,884	11,417	8,552	-	8,552
Total district activity funds	\$ 9,085	\$ 40,003	\$ 40,353	\$ 8,735	\$ -	\$ 8,735

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 PRIVATE PURPOSE TRUST FUNDS\*  
 YEAR ENDED JUNE 30, 2011

	Wellman Memorial	Cook Scholarship	Campbell Scholarship	Edmonds Scholarship	Braksick Scholarship	Bogard Scholarship	Totals
Cash receipts:							
Interest on idle funds	\$ 224	\$ 3	\$ 113	\$ 1,416	\$ 1,523	\$ 135	\$ 3,414
Other revenue from local source	-	-	150	300	-	600	1,050
Total cash receipts	<u>224</u>	<u>3</u>	<u>263</u>	<u>1,716</u>	<u>1,523</u>	<u>735</u>	<u>4,464</u>
Expenditures:							
Scholarships	400	-	300	2,000	3,000	500	6,200
Total expenditures	<u>400</u>	<u>-</u>	<u>300</u>	<u>2,000</u>	<u>3,000</u>	<u>500</u>	<u>6,200</u>
Receipts over (under) expenditures	(176)	3	(37)	(284)	(1,477)	235	(1,736)
Unencumbered cash, beginning of year	21,288	1,310	7,410	88,333	109,288	9,403	237,032
Unencumbered cash, end of year	<u>\$ 21,112</u>	<u>\$ 1,313</u>	<u>\$ 7,373</u>	<u>\$ 88,049</u>	<u>\$ 107,811</u>	<u>\$ 9,638</u>	<u>\$ 235,296</u>

\* These funds are not required to be budgeted.

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 COMPONENT UNIT - RECREATION COMMISSION FUND  
 YEAR ENDED JUNE 30, 2011

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 2,569	\$ 2,749	\$ 2,022	\$ 727
Ad valorem property - current taxes	52,086	52,967	52,093	874
Delinquent	2,431	1,885	1,425	460
Motor vehicle	8,673	8,689	9,176	(487)
Recreational vehicle	178	186	189	(3)
Interest on idle funds	1,786	1,315	-	1,315
Miscellaneous	25,150	19,471	-	19,471
Total cash receipts	<u>92,873</u>	<u>87,262</u>	<u>\$ 64,905</u>	<u>\$ 22,357</u>
Expenditures subject to budget:				
Operations and maintenance	2,903	1,763	\$ -	\$ (1,763)
Community service operations	60,269	54,687	246,500	191,813
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	<u>63,172</u>	<u>56,450</u>	<u>\$ 246,500</u>	<u>\$ 190,050</u>
Receipts over (under) expenditures	29,701	30,812		
Unencumbered cash, beginning of year	<u>166,397</u>	<u>196,098</u>		
Unencumbered cash, end of year	<u>\$ 196,098</u>	<u>\$ 226,910</u>		

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

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2011

1. Summary of significant accounting policies

a. Reporting entity

Unified School District No. 342, McLouth, Kansas ("the District") is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 342, McLouth, Kansas (the primary government) and its component unit, the Recreation Commission. The Recreation Commission is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

1. Discretely presented component unit

The component unit's section of the financial statements, Statement 7, includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the District. The governing body of this component unit is appointed by the District, the City of McLouth, and one member is appointed by the Commission itself.

a. Recreation commission

Unified School District No. 342 Recreation Commission oversees recreational activities. The recreation commission operates as a separate governing body, but the District levies the taxes for the recreation commission and the recreation commission has only the powers granted by statute, K.S.A. 12-1928. The recreation commission cannot purchase real property but can acquire real property by gift.

b. Reimbursed expenses

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

General fund	\$	46,993
Special education fund	\$	4,072

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria:

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

c. Basis of accounting

1. Statutory basis of accounting

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

The District has adopted a resolution in accordance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

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

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

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

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

d. Cash and investments

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

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

e. Inventories and prepaid expenses

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

f. Fund descriptions

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

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

1. Governmental funds

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

2. Fiduciary funds

- a. Trust and agency funds - to account for assets held by the District in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds are custodial in nature and do not involve measurement of operations. Private Purpose Trust Funds account for cash of which the principal may not be spent.

g. Ad Valorem Tax Revenues

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the District, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

h. Prior year partial comparative information

The financial statements include prior year partial comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2010, from which such partial information was derived.

2. Stewardship, compliance, and accountability

a. Budgetary information

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

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

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

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>
General fund	\$ 3,939,784	\$ 4,000,000
At-Risk (4 year olds) fund	\$ 54,000	\$ 70,000
At-Risk (K-12) fund	\$ 293,620	\$ 301,301
Food Service fund	\$ 237,374	\$ 250,000

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

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

a. Budgetary information (continued)

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

Textbook rental fund  
Contingency Reserve fund  
District Activity Funds

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

b. Compliance with Kansas statutes

The General Fund showed negative ending unencumbered cash balances of \$246,857 and \$269,379 for the years ended June 30, 2011 and 2010. Additionally, the Supplemental General Fund showed a negative ending unencumbered cash balance of \$45,482 for the year ended June 30, 2010. K.S.A. 10-1116a provides that under certain situations, the fund can end the year with a negative unencumbered cash balance and therefore, be exempt from the cash basis law of the State of Kansas (K.S.A. 10-1113). The District is not deemed to be in violation of the Kansas cash basis law for the year ending June 30, 2011.

See Note 12 for presentation of the General Fund and Supplemental General Fund under compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d).

During February 2011, bank deposits were under-secured at Bank of McLouth (K.S.A. 9-1402).

Management is aware of no other statutory violations for the period covered by the audit.

3. Deposits and investments

As of June 30, 2011, the District had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

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

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. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the District's carrying amount of deposits was \$2,194,195 and the bank balance was \$2,722,642. The bank balance was held by one bank, resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remaining \$2,222,642 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

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

4. Long-term debt

The District entered into a \$1,000,000 lease agreement on April 2, 2007 to finance the construction, extension, improvement, and equipping of an addition to the school building. See the following page for more information related to long-term debt.

4. Long-term debt (continued)

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

Issue	Interest rate	Date of issue	Amount of issue	Date of final maturity	Balance beginning of year	Additions	Reductions /payments	Balance end of year	Interest paid
<b>Capital leases:</b>									
Construction lease	4.95%	04/02/2007	\$1,000,000	04/01/2017	\$ 704,990	\$ -	\$ (95,101)	\$ 609,889	\$ 32,890
<b>Total long-term debt</b>					<u>\$ 704,990</u>	<u>\$ -</u>	<u>\$ (95,101)</u>	<u>\$ 609,889</u>	<u>\$ 32,890</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 ended June 30,						Total
	2012	2013	2014	2015	2016	2017-2021	
<b>Principal:</b>							
<b>Capital lease:</b>							
Construction lease	\$ 98,927	\$ 103,885	\$ 109,091	\$ 114,557	\$ 120,298	\$ 63,131	\$ -
<b>Total principal</b>	<u>98,927</u>	<u>103,885</u>	<u>109,091</u>	<u>114,557</u>	<u>120,298</u>	<u>63,131</u>	<u>-</u>
<b>Interest:</b>							
<b>Capital lease:</b>							
Construction lease	29,064	24,107	18,901	13,434	7,693	1,863	-
<b>Total interest</b>	<u>29,064</u>	<u>24,107</u>	<u>18,901</u>	<u>13,434</u>	<u>7,693</u>	<u>1,863</u>	<u>-</u>
<b>Total principal and interest payments</b>	<u>\$ 127,991</u>	<u>\$ 127,992</u>	<u>\$ 127,992</u>	<u>\$ 127,991</u>	<u>\$ 127,991</u>	<u>\$ 64,994</u>	<u>\$ -</u>
							<u>\$ 704,951</u>

5. Interfund transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At Risk (4 year olds)	K.S.A. 72-6428	\$ 64,237
General Fund	At Risk (K-12)	K.S.A. 72-6428	222,070
General Fund	Capital Outlay	K.S.A. 72-6428	250,122
General Fund	Special Education	K.S.A. 72-6428	498,830
General Fund	Vocational Education	K.S.A. 72-6428	<u>71,273</u>
Total transfers from general fund			<u>1,106,532</u>
Supplemental			
General Fund	At Risk (4 year olds)	K.S.A. 72-6433	20,000
Supplemental			
General Fund	At Risk (K-12)	K.S.A. 72-6433	19,136
Supplemental			
General Fund	Food Service	K.S.A. 72-6433	25,000
Supplemental			
General Fund	Professional Development	K.S.A. 72-6433	23,040
Supplemental			
General Fund	Special Education	K.S.A. 72-6433	206,689
Supplemental			
General Fund	Vocational Education	K.S.A. 72-6433	39,645
Supplemental			
General Fund	Textbook rental	K.S.A. 72-6433	<u>25,000</u>
Total transfers from supplemental general fund			<u>358,510</u>
Total interfund transfers			<u>\$ 1,465,042</u>

6. Commitments and contingencies

- a. Noncancelable operating leases - Copiers and related equipment are leased, requiring total annual payments of \$16,568.
- b. Future minimum rental payments required under the noncancelable operating lease as of June 30, 2011, are as follows:

2012	\$ 16,568
2013	16,568
2014	4,812
2015	4,812
2016	<u>4,812</u>
Total	<u>\$ 47,572</u>

7. Defined benefit plan

1. Plan description

The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737.

2. Funding policy

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

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010, and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2011, 2010, and 2009 were \$171,349, \$205,848, and \$218,058, respectively.

8. Other post employment benefits

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

9. Compensated absences

Employees employed for a twelve month period are allowed 12 days of chargeable sick leave, accumulative to 60 days. Employees employed for a nine month period are allowed 10 days of chargeable sick leave, accumulative to 60 days. Pay for unused sick leave is paid at a rate of \$20 per day after 20 years of service with the District and payment is made in the event of medical disability, death, or retirement.

Employees employed for a twelve month period earn vacation leave each year based on the total number of years of service. Vacation leave must be used during the year it was earned.

10. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. Contingency

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the District.

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

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

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

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
<b>Statutory revenues:</b>				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 22,239	\$ 24,170	\$ 14,057	\$ 10,113
Ad valorem property - current taxes	468,414	491,471	465,936	25,535
Delinquent	22,519	16,424	12,791	3,633
Tuition	-	-	32,533	(32,533)
State aid:				
Equalization aid	2,710,980	2,588,586	2,859,018	(270,432)
Special education services	569,033	498,830	547,120	(48,290)
Mineral production tax	468	629	-	629
Federal aid:				
ARRA stabilization	189,862	68,545	68,545	-
Education jobs fund	-	120,022	-	120,022
Reimbursed expenses	36,703	46,993	-	46,993
<b>Total statutory revenues</b>	<b>4,020,218</b>	<b>3,855,670</b>	<b>\$ 4,000,000</b>	<b>\$ (144,330)</b>
<b>Expenditures:</b>				
Instruction	1,770,340	1,642,959	\$ 1,851,475	\$ 208,516
Student support services	135,406	138,680	139,221	541
Instructional support staff	47,001	52,068	46,612	(5,456)
General administration	140,392	133,593	147,483	13,890
School administration	257,543	245,704	228,380	(17,324)
Central services	148,944	159,758	169,340	9,582
Operations and maintenance	289,460	332,162	226,450	(105,712)
Student transportation services	64,024	44,214	69,210	24,996
Food service operations	6,027	-	-	-
Transfers out	1,161,081	1,106,532	1,121,829	15,297
Adjustment to comply with legal max	-	-	(191,322)	(191,322)
Legal general fund budget	4,020,218	3,855,670	3,808,678	(46,992)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	46,993	46,993
<b>Total expenditures</b>	<b>4,020,218</b>	<b>3,855,670</b>	<b>\$ 3,855,671</b>	<b>\$ 1</b>
Statutory revenues over (under) expenditures	-	-		
Modified unencumbered cash, beginning of year	-	-		
Modified unencumbered cash, end of year	\$ -	\$ -		

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

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

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
<b>Statutory revenues:</b>				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 22,086	\$ 29,905	\$ 18,414	\$ 11,491
Ad valorem property - current taxes	566,728	565,225	529,521	35,704
Delinquent	21,193	16,849	15,501	1,348
Motor vehicle	71,843	80,169	99,812	(19,643)
Recreational vehicle	1,472	1,696	2,060	(364)
State aid:				
Equalization aid	368,588	437,650	439,082	(1,432)
Federal aid:				
ARRA stabilization	125,231	-	-	-
<b>Total statutory revenues</b>	<b>1,177,141</b>	<b>1,131,494</b>	<b>\$ 1,104,390</b>	<b>\$ 27,104</b>
<b>Expenditures:</b>				
Instruction	304,895	235,658	\$ 225,900	\$ (9,758)
Student support services	28,053	29,230	27,500	(1,730)
Instructional support staff	12,746	10,699	18,500	7,801
General administration	80,854	57,464	85,561	28,097
School administration	34,427	25,277	34,860	9,583
Central services	2,083	247	2,250	2,003
Operations and maintenance	226,120	256,375	306,343	49,968
Student transportation services	115,554	182,140	141,600	(40,540)
Transfers out	350,868	358,510	313,086	(45,424)
Adjustment to comply with legal max	-	-	-	-
Legal supplemental general fund budget	1,155,600	1,155,600	1,155,600	-
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
<b>Total expenditures</b>	<b>1,155,600</b>	<b>1,155,600</b>	<b>\$ 1,155,600</b>	<b>\$ -</b>
Statutory revenues over (under) expenditures	21,541	(24,106)		
Modified unencumbered cash, beginning of year	29,668	51,209		
Modified unencumbered cash, end of year	\$ 51,209	\$ 27,103		

**ADDITIONAL INFORMATION**

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS\*  
 YEAR ENDED JUNE 30, 2011

Federal Grantor/ pass-through grantor/ program title (pass through grantor number)	Federal CFDA number	Program or award amount	Beginning unencumbered cash balance	Cash Receipts	Expenditure	Ending unencumbered cash balance	Outstanding encumbrances	Ending cash balance
<b>U.S. Department of Education</b>								
Direct: Rural Education Achievement Program	85.358	\$ 36,658	\$ -	\$ 36,658	\$ 36,658	\$ -	\$ 469	\$ 469
Passed through Kansas Department of Education:								
Title I grants to local education agencies (D0342 3532-3520 3520)	84.010	61,499	-	61,499	61,499	-	5,050	5,050
Educational technology state grants cluster:								
Education technology state grants (D0342 3233-3040 3040 9962)	84.318	208	-	208	208	-	508	508
Education technology state grants, recovery act (D0342 3233-3044 3044 9964)	84.386	-	-	-	-	-	360	360
Subtotal Education technology state grants cluster		208	-	208	208	-	868	868
Improving teacher quality state grants (D0342 3526-3860 3860)	84.367	21,478	-	21,478	21,478	-	-	-
Education jobs fund (D0342 3551-3551 3551)	84.410	120,022	-	120,022	120,022	-	-	-
State fiscal stabilization fund - education state grants, recovery act (D0342 S394A090017)	84.394	68,545	-	68,545	68,545	-	-	-
<b>Total U.S. Department of Education</b>		<b>308,410</b>	<b>-</b>	<b>308,410</b>	<b>308,410</b>	<b>-</b>	<b>6,387</b>	<b>6,387</b>
<b>U.S. Department of Agriculture</b>								
Passed through Kansas Department of Education:								
Child nutrition cluster:								
School breakfast program (D0342 3529-3490 3490 9904)	10.553	19,639	-	19,639	19,639	-	-	-
National school lunch program (D0342 3530-3500 3500 9902/9912)	10.555	91,750	-	91,750	91,750	-	-	-
Subtotal Child nutrition cluster		111,389	-	111,389	111,389	-	-	-
<b>Total U.S. Department of Agriculture</b>		<b>111,389</b>	<b>-</b>	<b>111,389</b>	<b>111,389</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total federal assistance</b>		<b>\$ 419,799</b>	<b>\$ -</b>	<b>\$ 419,799</b>	<b>\$ 419,799</b>	<b>\$ -</b>	<b>\$ 6,387</b>	<b>\$ 6,387</b>

\*Note 1 on page 40 is an integral part of this Schedule of Expenditures of Federal Awards.

UNIFIED SCHOOL DISTRICT NO. 342, MCLOUTH, KANSAS  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2011

1. Basis of accounting

a. Statutory basis of accounting

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

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

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

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

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