FINANCIAL ACCOUNTING
IN THE ELEVEN RURAL HIGH SCHOOLS
OF RENO COUNTY, KANSAS

by

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Bachelor of Science, Kansas State Teachers College
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Submitted to the Department of Education and the Faculty of the Graduate School of the University of Kansas in partial fulfillment of the requirements for the degree of Master of Science

Approved by:

[Signature]
Instructor in charge

[Signature]
Head or chairman of Department

May 1932
Dedication

to

My Wife

Alma Nafzinger Lauver,

who knows

what sacrifice made possible

my degree of

Master of Science
ACKNOWLEDGMENT

The writer wishes to express his sincere thanks to the following persons whose cooperation and assistance have been indispensable in connection with this study:

Dr. J. W. Twente, Professor of Education in the University of Kansas, for his constructive criticism from the time the problem was undertaken until it was completed;

Miss Phyllis Obee, County Superintendent of Public Instruction of Reno County, Kansas, for her cooperation in allowing the inspection and use of numerous records;

Miss Nellie Railsback, Assistant County Superintendent, for assistance in obtaining data;

Mr. Leonard Hauser, Deputy County Treasurer of Reno County, for profitable information and access to the records of his office;

Mr. Gordon Davis, for assistance in revision of the manuscript.

D. S. Lauver,
May 20, 1932,
Lawrence, Kansas.
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Map of Reno County, Kansas  

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"Education", says Herbert Hoover, "is our biggest business. It is our only indispensable business."

According to statistics compiled by the United States Office of Education the schools of the nation, of all ranks and kinds, enrolled a grand total of 29,356,608 pupils in 1931; employed 1,029,000 teachers; and cost $3,200,000,000.

Education has reached its present status of big business in an economic sense through a phenomenal growth. Since 1870, according to an editorial in School Life, the total annual enrollment in schools of all classes combined has increased 450 per cent; the average expenditure per child in average daily attendance, 560 per cent; and the total annual expenditure in dollars, 3523 per cent.

In Kansas alone, according to C. B. Althaus, school taxes rose 202 per cent from 1916 to 1928, far exceeding the increase in any other form of tax. J. Kenneth Little found that schools in Kansas cost $3,769,426 in 1898 and $39,409,848 in 1929; while school property valuations were $9,504,961 and $86,355,515.28 in the same years respectively. In the latter investigation the per cent of increase during the period of thirty years can be estimated at about 900 per cent in the case either of school property valuations or of school costs.

*Note: Numbers refer to bibliographical references at the end of each chapter.
The inevitable impression made upon the public by such an expansion has been that education is not only big business but that it is also becoming a financial burden. There is consequently a growing demand for definite information concerning costs and outcomes.

Leaders in educational administration and in public economics, in order to meet this demand for information, are now taking a sweeping inventory of education. They are seeking to justify it and to systematize it so as to equalize educational opportunity among the youth of the land and to adjust the burden of support. This movement began about a decade ago and is projected into the future. From 1920 to 1930 practically all of the states in the Union had surveys made of their public school systems and at least half of them had reports before the 1931 legislatures, many of which resulted in important reforms.

The need for united action on a wide scale was recognized by Congress in 1931 when it authorized a four-year, nation-wide survey of education and appropriated $350,000 for the purpose. Paul R. Mort, Associate Director of this survey, in outlining the "twenty-one major unknowns of education", listed the following which pertain especially to finance:

"(1) What do we pay for education?  
(4) How much public expenditure is really needed?  
(6) Why do expenditures vary so widely from place to place?  
(18) What place is indebtedness now taking in school finance?  
(20) How can the public be continually informed on the pertinent questions in educational finance?"
It is difficult to conceive of an investigation more timely and more expressive of the attitude of the tax-payer of today, nor of one more challenging to the school official and the administrator who are interested in the defense of schools. These questions must be answered for the future welfare of the nation and we must have the correct answers in order to continue to make progress in education.

In making an inventory of a business enterprise we seek definite, reliable facts. We search every department of the business. We appraise, and measure, and classify. We calculate costs of production, determine our cash balance, our obligations, our assets and our liabilities. We consider the effects of past policies and alter them when necessary to meet new conditions wholly upon a factual basis.

In any survey or study of education which we make in order to answer some of the questions pertaining to educational finance we must have facts equally reliable to those in a business inventory. The readiness with which they are produced in a school system is a direct index to the efficiency of its financial administration. A common source of information in many studies is in the records of county and state school officials. These records are readily accessible, present statistics in convenient form and therefore are easy to use. The data they contain come directly from local school records. Their accuracy and reliability therefore depend upon the efficiency of the local accounting system and the business practices of those who are responsible for its administration.
Leaders in educational administration have emphasized for years the importance of adequate and uniform school accounting in all phases of education but especially in school finance.

H. P. Smith said just before the present economic depression began to be felt in school affairs:

"The tax-paying public is vitally concerned with the proper spending of public funds, and their proper accounting and reporting are factors in securing adequate support. Furthermore, every educational problem the school administrator faces has its financial aspect. It is therefore necessary that school systems have accurate and adequate financial records."

B. A. Stevens, at the conclusion of a state-wide survey of education in Ohio which was concluded early in 1932 said:

"This investigation with the opportunities it has afforded to observe some of the difficulties and problems of school budget making impresses one with the vital importance of accurate, complete, and uniform cost accounting procedures."

James N. Rule, State Superintendent of Public Instruction in Pennsylvania, in preparing school men in general for the retrenchment of 1932, said:

"Every item in our educational budget must be justified not only to educational leaders but to the public. State administration of education ranks as big business involving the expenditure of millions of dollars annually—the efficient administration of which demands a periodical inventory of costs and outcomes."

Close observation of conditions in Kansas might result in a revision of accounting in school finance. Beyond requiring a financial report and a budget statement once each year the state does very little to supervise accounting in local school systems nor to encourage efficiency in finan-
cial administration. It does not publish, provide, nor pre-
scribe accounting forms and books of record for the use of
schools. Local officials are left to guide themselves in
their selection of such necessary forms and documents and to
make their own classification of expenditures and annual re-
ports with little supervision. With this kind of control it
is doubtful if statistics derived from local school records
are reliable.

A concrete experience will serve to show how difficult
it was in one survey to obtain satisfactory original data
concerning school finances. In December, 1931, three grad-
uate students in the School of Education in the University
of Kansas, Gordon Davis, Claude B. Harris, and J. J. Hen-
drix, began studies in unit costs of instruction. Their
plans made it necessary to use accurate records of expendi-
tures in a number of high schools during the first half of
the school year of 1931-32. In order to secure cooperation
from as many schools as possible they sent inquiries to 296
of the 316 rural high schools of the state. They asked if
these schools could assist by preserving all of the invoices
and other proofs of school costs so as to allow these men to
inspect them in person in connection with their studies.
They received replies from 92 schools but found that only 38
of these could supply all of the necessary information.

If an accounting system is properly centralized, unified
and coordinated, if the proper business practices prevail in
its administration, the records will bear inspection at any
time. Accurate statements of receipts and expenditures can be made on short notice and a comprehensive, accurate, and complete annual report is but a natural culmination of the year's business.

This study is a survey of the accounting methods and an analysis of their results in a group of rural high schools in Kansas. The purpose is to determine the general efficiency of their financial accounting and to make suggestions for improvement. The study includes only the major district funds, no attempt being made to investigate the accounting of funds that are usually known as extra-curricular. The general problem is expressed in three questions:

A. What records do these schools keep of their finances?

B. Were the results of their accounting for the fiscal year of 1930-31 accurate and complete?

C. How can the financial accounting systems of these schools be improved?


7. Journal of the National Education Association for February, 1932, page 36.


CHAPTER II

RELATED STUDIES

An excellent illustration of some of the many efforts that have been made to promote efficiency and uniformity in financial accounting among public school systems is represented in a publication of the Bureau of Education of the United States Department of the Interior. This is Bulletin, 1928, No. 24, under the title, "Report of Committee on Uniform Records and Reports." This is a thorough revision of an earlier bulletin by the same title which was published in 1912. Bulletin No. 24 is truly representative of the general interest manifested in accounting among educational leaders, as is shown by the fact that it is the result of the combined work of experts from the National Association of Public School Business Officials, The Bureau of Education, The Department of Superintendence of the National Education Association, and the National League of Compulsory Education Officials.

The characteristics of an acceptable local system of records are so pertinent to the purposes of this study that they are repeated here in abridged form:

"1. They should make for uniformity and comparability, both as they concern data from different sources within the school system and as they concern data collected in other school systems. There must be agreement as to the meaning of items on which information is collected, and as to the procedure used in recording data. Record forms should always provide for the collection of certain minimal facts such as those required by the State and Federal Governments and such additional information as is desired for the whole school system."
2. The amount of data recorded should be no more than is needed and will be used. School procedure to be efficient must be based upon exact information. The recording of information is not an end in itself. Unless the information recorded functions in pertinent research and better school practice, its collection is wasted effort.

3. The various records of a school system should be coordinated and unified. Not only should the financial records of a school system be unified in themselves, but these records should be coordinated with those having to do with child accounting, supply and textbook accounting, and other essential records.

The bulletin contains statements of the objectives to be met by uniform accounting and outlines the most desirable contents and forms of records and reports. These forms cover the principal phases of school finance, pupil personnel accounting, census and attendance records, and reports from superintendents and boards to higher authorities. Definitions are given of terms used in accounting. Illustrations are given of certain forms found in practical use in various school systems. There are alphabetized lists of articles that are classed as supplies and others that are classed as equipment. These are given as a guide to school accountants in differentiating between these two forms of expenditures.

The recommendations and suggestions are prepared especially for use in large city and state school systems but have undoubtedly had great influence in the revision of accounting systems all over the country.

The financial records recommended as essential are:

I. Minutes book
II. Annual budget statement
III. Purchasing and requisitioning
IV. Initial records
Several states have adopted state-wide financial accounting systems for schools. New Jersey, New York, Michigan, Idaho, New Mexico, Indiana, and Oklahoma are among the number. Some of these systems show the influence of the efforts of Bulletin No. 24, described above, and its predecessor, Bulletin, 1912, No. 3, published by the same bureau.

A good illustration of a handbook of instructions to be used in connection with one of these state systems is that used in Indiana. In 1926 the State Board of Accounting in Indiana in collaboration with the State Department of Education adopted a revised system for use in all of the schools in the state. The handbook of instructions for use with this system was prepared under the direction of Lawrence F. Orr, State Examiner, by E. P. Brennan and L. B. Job. The accounting system itself and the handbook of instructions were prepared with four ideas definitely in mind:

"(1) The system should be sound from an accounting point of view.
(2) The system should be simple enough to enable clerks in the office of the small town superintendent's or secretary's office to keep it.
(3) The system should be complete enough to yield desired results.
(4) The system should be flexible enough to meet adequately the needs of the largest school corporation as well as the smallest."
It contains descriptions of all forms used in the system and detailed instructions as to accounting procedures. It gives full definitions of accounting terms; furnishes a list of standard supplies and one of equipment; and gives criteria for judging the functions of expenditures. It also contains a suggested budget form.

The handbook for the state system of accounting in Idaho was prepared by the Edwin A. Wilson Company in 1922. After pointing to the fact that the budget plan of control in various forms of political units was being adopted on a wide scale, the authors of this book make the following statements of facts which a school board must know in order to have a definite and workable financial plan. Since the statements contain the whole problem of budget making in a nutshell they are here reproduced.

"1st. It must know what the financial condition of the district was at the close of the last fiscal year ending June 30th.
2nd. It must know what its indebtedness is and when and how it is to be liquidated.
3rd. It must know the annual amount of interest or other expense necessary to carry such indebtedness until it is paid off.
4th. It must know what the expense of the ensuing year is to be for the operation and maintenance of the school system.
5th. It must know what revenue it will receive to meet such necessary expenditures.
6th. It must know what deficit will exist between its estimated expenditures and estimated revenue, so that sufficient tax levies can be made to meet it.
7th. It must know the statutory limitations as to expenditures and levies."

It proceeds to prescribe forms of records to meet these needs and explains the procedures necessary to proper book-keeping. It contains definitions of accounting terms and
standard lists of supplies and equipment.

Harry S. Ganders analyzed the school accounting problems mentioned in three hundred eighty-one texts, monographs, etc., dealing with school accounting in general in all of its phases. He classified sixty-five of these problems under the following heads: Uniformity, Completeness, Simplicity, Organization and Personnel, Optimum Timeliness, Flexibility, Form and Construction of Elements, Utility and Reference, What Data, Unity, Entries, Permanence and Continuity, and Filing Provisions.

He concluded that the two most important problems were:
(a) How to determine which of innumerable facts or items to record and report; and (b) the need of unification and systematization of elements most necessary to carry the essential items. The results of his investigations among fifteen representative cities was: A System of School Records and Reports for Smaller Cities. This was intended for use in cities of 5,000 to 10,000 population. This publication contains recommendations as to the contents of records for general, personnel and property accounting, and gives a description of every form needed for these purposes.

An investigation on a much smaller scale than any that have been cited has a more direct bearing upon the problem in this study. Guy Webster investigated the business and accounting procedures of fifteen second class city school systems in Kansas in 1929, particularly in regard to the purchasing and accounting of supplies. For criteria he used an
adaptation of the principles set up by R. P. Taylor 6 and applied these to the practices as he found them in the cities studied. He found a very noticeable lack of uniformity and consistency existing in these phases of their financial administration. There was much confusion in the division of executive duties between superintendents and board members. He outlined by diagram the relations existing at the time of the investigation among the board members, the superintendent and the teaching staff and other employees, with respect to supplies. He then made recommendations for an ideal administrative relationship more conducive to adequate accounting. He showed by illustrations two forms which he recommended as aids to accounting, one for requisitions and one for vouchers.


CHAPTER III

SCOPE OF INVESTIGATION

This study is confined to the eleven rural high schools in Reno County, Kansas. These schools were chosen because of their convenient location near the home of the investigator and because they form a group with many common characteristics and problems.

They are all rural high schools and are therefore organized under the same laws and are governed by the same kind of board consisting of three members. They are under the supervision of the same county superintendent. They depend almost entirely upon direct taxes for their income and make annual reports on the same form. The assessed valuations of their districts are relatively high when compared with those of other rural high schools in the state. Being located in a county of fairly uniform economic conditions they would be expected to fare much alike in years of depression as well as in prosperity.

They are therefore sufficiently alike to have similar accounting problems which may be solved by united effort. To discover such problems that may exist and to contribute to their solution is within the province of this study.

In order to give a comprehensive view of these schools as to relative size, location, and economic features, the information in this chapter is submitted.

The map on page 15 shows the boundary lines of these high school districts and the cities in which the high school
RENO COUNTY KANSAS

Organized in 1872  Population, 49,056  Assessed Valuation, $95,977,171  Area, 808,651
buildings are located. It can be seen that the territory of the county is solidly blocked out into high school districts. The territory not occupied by the eleven rural high school districts is taken up by the city of Hutchinson and the Reno community high school district. The latter district was originally a county high school district covering the entire county. Even the city of Hutchinson for many years paid taxes for its support, but eventually was exempted. The rural high school law of 1915 made it possible for the people of any community with sufficient property valuation to organize a high school and to withdraw from the county high school district. Thus within a few years the territory of this school district was diminished to its present size. In the process of organization of the eleven rural high school districts there was much competition over territory and as a result it is all taxed by some district or another. The people who organized the Haven Rural High School were far-sighted enough to include territory within its boundary lines up to the limits of the city of Hutchinson. Therefore their district has the highest valuation of the group and stands second in the entire state in this respect. Castleton was one of the last to be organized and had to take what territory was left in their vicinity.

Table I was compiled to show the names of the schools and something of their history, economic features, enrollment, etc. The data were taken from the annual reports of the county superintendent on file in her office in Hutchinson.
son; from the annual reports of the schools themselves; and from the records of the county treasurer.
### Table I

#### Data Pertaining to History, Finances, Enrollment, Attendance and Class of the High Schools in This Study

<table>
<thead>
<tr>
<th>District No.</th>
<th>Location of school</th>
<th>Date of organization valuation</th>
<th>Assessed valuation in dollars</th>
<th>Tax rate in mills</th>
<th>Tax rate in dollars</th>
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<tr>
<td>1</td>
<td>Arlington, Kansas</td>
<td>6/22/15</td>
<td>$3,724,116</td>
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<td>Partridge,</td>
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<td>3.25</td>
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<tr>
<td>3</td>
<td>Plevna,</td>
<td>6/22/15</td>
<td>2,452,876</td>
<td>4.88</td>
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<td>4</td>
<td>Abbyville,</td>
<td>6/22/15</td>
<td>2,455,724</td>
<td>6.00</td>
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<tr>
<td>5</td>
<td>Langdon,</td>
<td>6/22/15</td>
<td>2,850,177</td>
<td>3.32</td>
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<td>6</td>
<td>Pretty, Prairie</td>
<td>4/4/16</td>
<td>5,042,305</td>
<td>3.32</td>
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<tr>
<td>7</td>
<td>Sylvia,</td>
<td>7/5/17</td>
<td>3,787,489</td>
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<td>8</td>
<td>Turon,</td>
<td>12/21/17</td>
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<td>9</td>
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<td>12,569,702</td>
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<tr>
<td>10</td>
<td>Buhler,</td>
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<td>4,976,702</td>
<td>5.86</td>
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<td>11</td>
<td>Castleton,</td>
<td>7/7/18</td>
<td>2,301,769</td>
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**Total valuations**: $50,486,117

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#### Table I, con.

<table>
<thead>
<tr>
<th>Expenditures reported 1930-31</th>
<th>Declared value of school property 1930-31</th>
<th>Pupils enrolled in 1930-31</th>
<th>Pupils in school A.D.A. teachers 1930-31</th>
<th>No. of high schools 1930-31</th>
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<tr>
<td>$16,281.94</td>
<td>$55,000</td>
<td>94</td>
<td>92.9</td>
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<td>18,964.22</td>
<td>74,000</td>
<td>96</td>
<td>92.4</td>
<td>6</td>
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<td>8,327.24</td>
<td>50,000</td>
<td>38</td>
<td>37.4</td>
<td>4</td>
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<td>8,993.83</td>
<td>67,000</td>
<td>42</td>
<td>41.4</td>
<td>4</td>
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<tr>
<td>14,668.69</td>
<td>53,000</td>
<td>49</td>
<td>47.3</td>
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<tr>
<td>13,556.63</td>
<td>86,000</td>
<td>112</td>
<td>109.4</td>
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<td>12,231.25</td>
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<td>17,873.25</td>
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<td>93,594.81</td>
<td>108,000</td>
<td>147</td>
<td>143</td>
<td>6</td>
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<td>8,613.52</td>
<td>35,000</td>
<td>37</td>
<td>36</td>
<td>4</td>
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**Total expenditures**: $226,906.96

**Total declared value**: $802,000

- **Total pupils enrolled**: 934
- **Total A.D.A. teachers**: 903.65
- **Total high schools**: 60.5
In Table I, column A shows the numbers assigned to the districts as they organized. The one exception is District No. 10, which is explained later.

Column B shows the cities in which the high schools proper are located. These are all third class cities except Castleton, which is a very small unincorporated village. The other ten range in population from 147 in Abbyville to 576 in Turon.

Column C shows the dates on which formal organization took place. It will be noticed that five of the districts were organized in June, 1915, four of them on the same day. Inasmuch as the rural high school law had been passed by the legislature of 1915, this fact reveals the keen interest in the development of local high schools that prevailed in Reno County at that time. These five schools were among the first organized in the state. This established Reno County among the pioneers in the wave of rural high school development, a position it has maintained ever since. The other districts were organized in fairly rapid succession. Each was numbered in chronological order except Buhler. This community really began a campaign before Castleton did but failed to complete the organization. Meanwhile Castleton assumed the number 11 as its official number and is known by that today although its date precedes that of Buhler.

Column D gives the valuations of the districts for the tax year of 1930-31. All of the schools are well above the minimum of $2,000,000 which, with certain exceptions, is set
by law for the organization of rural high school districts. They rank well above the general average for the state for schools of this class. Haven is second in the state in this respect. The grand total valuation is $50,486,108.

Column E shows the tax rates. These include the levies for bonds as well as for current expenses. Langdon is the only district that has no regular bonded indebtedness. Five of the districts have levies that approach or reach the maximum of six mills set by law and one actually exceeds this maximum.

Column F shows the expenditures reported in the annual reports for 1930-31. The total is $226,906.06.

Column G shows the property valuations as declared in these annual reports. The amount for each school includes building and grounds, school furniture and equipment. The grand total is $802,000.

Columns H, I, and J show enrollment, average daily attendance, number of teachers, and class of high school maintained as announced by the State Department of Education for 1930-31.

A conception of the financial importance of the operation of these schools can be formed from Table II. In this connection it should be borne in mind that prior to the year 1915 there were no high school districts in Reno County of this class. The city of Hutchinson maintained its High School department, and the Reno County High School was maintained for the whole county. Several of the smaller cities
had high school departments as part of their graded schools but there were no other districts organized for high school purposes. Previous to 1915 all property in the county outside the city of Hutchinson paid a tax to support the county high school.

**TABLE II**

**TOTAL ANNUAL EXPENDITURES REPORTED BY THE SCHOOLS SINCE ORGANIZATION**

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total amount reported annually by all schools combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>1915-16</td>
<td>No report</td>
</tr>
<tr>
<td>1916-17</td>
<td>No report</td>
</tr>
<tr>
<td>1917-18</td>
<td>No report</td>
</tr>
<tr>
<td>1918-19</td>
<td>$80,176.68</td>
</tr>
<tr>
<td>1919-20</td>
<td>No report</td>
</tr>
<tr>
<td>1920-21</td>
<td>$145,788.86</td>
</tr>
<tr>
<td>1921-22</td>
<td>133,138.58</td>
</tr>
<tr>
<td>1922-23</td>
<td>97,602.68</td>
</tr>
<tr>
<td>1923-24</td>
<td>189,830.78</td>
</tr>
<tr>
<td>1924-25</td>
<td>126,513.02</td>
</tr>
<tr>
<td>1925-26</td>
<td>214,877.02</td>
</tr>
<tr>
<td>1926-27</td>
<td>293,765.92</td>
</tr>
<tr>
<td>1927-28</td>
<td>159,219.22</td>
</tr>
<tr>
<td>1928-29</td>
<td>143,929.74</td>
</tr>
<tr>
<td>1929-30</td>
<td>187,516.24</td>
</tr>
<tr>
<td>1930-31</td>
<td>226,906.06</td>
</tr>
<tr>
<td>Grand total</td>
<td>$1,990,255.80</td>
</tr>
</tbody>
</table>
Table II shows the total amounts spent annually by all schools combined with the exception of the four years for which no data could be obtained. The grand total of $1,990,255.80 would undoubtedly exceed $2,000,000 if this information were included. These sums include expenditures for buildings and equipment as well as for current expenses, but do not include expenditures for debt service.

The valuation of the property taxed to support these high schools, the declared value of buildings and other property owned and used by them, and the sums spent year by year all serve to indicate the status of high school education within Reno County as big business. Especially is this true in view of the fact that they represent the educational effort, in behalf of high school pupils alone, of only a part of one county in one state; and that the pupils and teachers affected represent only a very small fraction of the millions similarly engaged over the country at large.

Any productive commercial enterprise that is organized on a scale involving resources to a similar amount, annual expenditures as great as those of these schools would have adequate systems of accounting and strict financial administration. They would measure their results in dollars and cents. The educational results of schools are not so tangible, yet schools are organized and supported with far greater hopes and expectations of individual and social benefits than any commercial enterprise. Should they not be able to ac-
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count fully for the money raised and spent and for the property involved in their operation?

The first part of this problem has to do with the methods of financial accounting that prevailed in these schools at the time of the investigation, which was made in March, 1932. The second part consists of an analysis of the results of such accounting that are shown in the annual reports for the fiscal year 1930-31. The specific questions into which each part is divided and the treatment of the same are explained in Chapter IV.


2. Ibid., Section 541.

3. Annual Reports of County Superintendent to the Department of Education. Duplicates of reports from Reno County for the years 1915 to 1931, inclusive, filed in Office of County Superintendent of Public Instruction, Hutchinson, Kansas.

4. Annual Reports of Rural High Schools, Districts No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, and 11, Reno County, Kansas, as filed in Office of County Superintendent of Public Instruction, Hutchinson, Kansas.

5. Distribution Ledger of County Treasurer of Reno County, Hutchinson, Kansas, General Funds and Bond Funds of Rural High Schools for 1930-1931-1932.

CHAPTER IV

FUNCTIONS OF ACCOUNTING
THE SPECIFIC QUESTIONS
METHODS OF INVESTIGATION

There are six functions that any accounting system should perform, whether it be for a one-room district school or for the school system of a city of half a million. These are as follows:

1. Giving a record of funds received--both revenue and non-revenue, allocated by sources.

2. Recording expenditures--by funds where required by law, by functions, by administrative units, by instructional divisions.

3. Giving a complete history of every financial transaction, including the original documents.

4. Controlling budget appropriations.

5. Giving data for computation of unit costs.

6. Presenting facts for complete and accurate financial reports.

This statement of functions affords a definite basis for inquiry into both accounting practices and the results of accounting in the schools included in this study. They furnish an outline for systematic analysis and constitute criteria by which these practices and results are judged.

The first part of the general problem is: What records do these schools keep of their finances? In keeping with the above outline of functions this question is expanded in order to deal more directly with each function, as follows:
1. **Receipts**
   a. What records do they keep of the funds received from various sources?

2. **Expenditures**
   a. What records do they make of payments?
   b. Who buys supplies and equipment for each school?
   c. Are bills against the school collected into the hands of one person for presentation to the board?
   d. Who classifies bills for distribution as to costs? When is this distribution made? What records are kept of the classification?

3. **History of financial transactions**
   a. What records do they keep that tend to show the complete history of financial transactions?

4. **Budgetary control**
   a. In what form do they make their budgets?
   b. To what extent do they exercise budgetary control?

5. **Unit costs**
   a. What data do they assemble with which to compute unit costs?

6. **Financial reports**
   a. Do the accounting systems in use provide the facts necessary for annual report required by the state in systematic and orderly arrangement?

7. **Other business practices that affect accounting**
   a. Do the school boards have regular business meetings?
b. Do they keep written minutes?
c. Do they have audits made of their accounts by certified public accountants?
d. Where and how do they file records?

In order to obtain answers to these questions the investigator obtained interviews with the principals of the schools in their own offices. A check sheet was devised upon which to record replies to specific questions dealing with practically every phase of financial administration in these schools. The check sheet is shown as Exhibit A in the appendix. The principal of a rural high school occupies the same relative position in administration as the superintendent of a twelve-grade school system. It was therefore assumed that these principals would be able to furnish all information desired in the study. It was important to discover if significant changes had been made in any phase of accounting since the previous year because the second part of the general problem deals with the results of the accounting in 1930-31 whereas the first part is an investigation of the systems and practices prevailing in 1931-32. Ten of the principals had been in their positions for several years, while one was in his position for the first year. It was found that no school had changed its general methods or accounting forms since the 1930-31 annual reports.

In almost every case the principal responded to all inquiries and appeared eager to know the final results of the study. In a number of instances both principal and board members realized the necessity of a more definite and system-
atic organization, not only in financial accounting but in other phases of administration as well.

The results of the interviews are presented in Chapter V.

The second part of the general problem deals with the results of accounting in these schools as they appear in the annual reports for the fiscal year 1930-31. The purpose was to discover if the data given on items calling for financial information were accurate and complete. The final report of a school system should exhibit definite and accurate statistics derived from adequate accumulative records that truthfully reveal the financial operation of the school. In fact, in a really good system of accounting it would be possible to exhibit many more statistics than are called for on the annual reports required in Kansas.

The annual report of rural high schools is made on Form 18 F, which is shown as Exhibit B in the appendix. It contains items calling for information other than financial. For this reason it was necessary to isolate those items dealing only with finance. These are listed below in the order of their appearance on the form. They are next grouped together as they pertain to the functions of accounting that have been adopted as criteria in this study.
Items on Second Page of Form 18F Which Deal with Finance:

Item No. Data called for by items

17. Total levy for high school purposes _______ mills.
18. Total current expenses--------------------------_______
   Note: Exclude items 11 and 12 under Expenditures.
19. Cost of tuition per pupil per month on enrolment____
20. Cost of tuition per pupil per month on av. dly. att_____
   --
29. Value of building and grounds---------------------$
30. Value of school furniture and apparatus----------$
31. Value of district, tangible__ intangible__ Total$
32. Total levy in mills___________________________

Items appearing on third page which deal with finance:

Financial Exhibit.

Receipts

1. Balance in hands of treasurer, July 1, 19-- (last year)$_____
2. Amount received from taxes--------------------------$
3. Amount received from state and county funds
   apportioned to this district-----------------------$
4. Amount received from sale of school bonds---------$
5. Amount received from tuition-----------------------$
6. Amount received from all other sources-----------$
7. Total amount received during year for school purposes

Expenditures
   (Do not include outstanding orders)

8. Expenses of general control------------------------$
   Expenses in connection with the business of the
   district, cost of board records, legal services, etc.
9. Cost of instruction--------------------------------$
   a. Salaries of instructors.
   b. Cost of teaching supplies.
10. Cost of operation--------------------------------$
    Cost of janitor service, fuel, light, water,
    power, telephone, etc.
11. Cost of maintenance of school plant-------------$
    Cost of repair of buildings and repair and re-
    placement of equipment and insurance.
12. New outlays--New Land, buildings, equipment------$
13. Cost of debt service--All amounts paid as prin-
    cipal and interest on bonds and other borrowed money
14. Cost of pupil transportation---------------------$
15. Miscellaneous expense--(All not classified above)$
16. Total amount paid out for school purposes-------$
17. Balance in hands of district treasurer June 30, 19--$
18. Total receipts and expenditures balanced--------$
19. Outstanding warrants----------------------------$

These items are classified below as they affect the functions set up as criteria. Some of them have only an indirect bearing upon the functions as they were stated, yet they constitute the only available evidence that the accounting methods in actual use perform these functions to any degree.

<table>
<thead>
<tr>
<th>Functions</th>
<th>Items by number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Receipts</td>
<td>Items 1 to 7 under &quot;Receipts&quot; in the Financial Exhibit.</td>
</tr>
<tr>
<td>2. Expenditures</td>
<td>Item 18 on second page of Form 18F and items 8 to 18 under Expenditures in Financial Exhibit.</td>
</tr>
<tr>
<td>3. History of financial transactions</td>
<td>Items 29 and 30 on second page.</td>
</tr>
<tr>
<td>4. Control of budget appropriations</td>
<td>Items 17, 18, and 32 on second page.</td>
</tr>
<tr>
<td>5. Data for computation of unit costs</td>
<td>Items 18, 19, and 20 on second page.</td>
</tr>
<tr>
<td>6. Financial reports</td>
<td>All of the items reproduced above but those under Financial Exhibit in particular.</td>
</tr>
</tbody>
</table>

The second part of the general problem is: Were the results of their accounting systems, as shown by their annual reports for the fiscal year 1930-31, accurate and complete? This was expanded into the following specific questions.
1. Receipts. Were the data presented in the reports as to money received during the fiscal year 1930-31, accurate and complete?

2. Expenditures. Were those presented on expenditures accurate and complete?

3. History of financial transactions. Did the data bearing upon the history of financial transactions indicate that such history is kept? Were these data accurate and complete?

4. Control of budget appropriations. Did the information on budgets indicate that the schools used budgets as controls over receipts and expenditures? Were the data accurate and complete?

5. Unit costs. Were the data on any phase of unit costs accurate?

6. Financial reports. Were the financial reports as a whole accurate and complete?

To answer these questions an analysis was made of the reports from the schools as they were found on file in the office of the county superintendent of Reno County in Hutchinson, Kansas. As a check of the accuracy of data supplied on certain items examinations were made of supposedly duplicate data in other records in the same office and also in the records of the county treasurer. It was also possible to check certain accumulative items against reports on the same items in previous annual reports. An example of one means of checking accuracy: A certain item among Receipts
in the Financial Exhibit calls for the amount received from the county treasurer. The data reported on this item were compared directly with the record of distributions in the county treasurer's office. The latter records were assumed to be correct since the supervision by the state over the financial accounting of this official is much superior to that exercised over the financial accounting of the average school district board. Suitable explanations are given of the methods used to check each item as it occurs in the solution of these questions.

The results of the analysis are given in Chapter VI. However, certain major difficulties that are inherent in the general state system of accounting for school finance are given special treatment in Chapter VII.

The third part of the problem is: How can the accounting systems of these schools be improved? The answer to this question comes as a natural result of the discoveries made in Parts A and B. It consists of recommendations as to the adoption and use of uniform blanks and books of record more conducive to efficiency in accounting; and as to the possibility of voluntary cooperation among the boards and principals for the purpose of working out some of their common problems in accounting. These recommendations are presented in Chapter VIII.

1. Smith, H. P.: Business Administration of Public Schools, Yonkers-on-the-Hudson, N. Y., 1929, Chapter VI.

2. Annual Reports of Rural High Schools, Districts No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, and 11, Reno County, Kansas, as filed in Office of County Superintendent of Public Instruction, Hutchinson, Kansas.
CHAPTER V

PRESENTATION OF RESULTS IN PART A

The answers found to the various questions into which Part A is divided are submitted below in the same order as they are asked.

1. Receipts. (a) Tax money constitutes about 95 per cent of all money received by these schools except that from bond issues. Proceeds from the sale of bonds are accounted for by the district but taxes raised within the district to pay these bonds are accounted for by the district treasurer.

When taxes have been collected they are distributed at intervals to the accounts of the taxing units. These accounts are kept by the county treasurer and may be drawn on by the proper officials representing the subordinate units on or after certain dates. These dates seem to vary among the counties of Kansas to some extent. In Reno County the regulations are as follows: The first distribution of tax money is made on January 20 of each year. This is for 40 per cent of the amount allotted to each taxing unit for the tax year. The next distribution is made on April 20, for 10 per cent of the total amount; the third is on July 20, for 40 per cent; and the last is on October 20, for 10 per cent.*

The district treasurers of the high schools in this study may draw from their general funds in the county treasury on or after the dates named above. When a treasurer draws money he must sign a certain form in triplicate which is furnished by the county office. The first is an order to

*Note: Result of an interview with Leonard Hauser, Deputy County Treasurer of Reno County, Hutchinson, Kansas.
pay on the depository in which the county funds are kept. The second is a record for the county treasurer. The third is a record for the district treasurer. The proper use of this in posting to his cash account depends upon the treasurer himself. See Exhibit C in the appendix.

As another help to the district treasurer in checking his account of receipts, the county treasurer issues an annual summary of the amounts drawn by every district treasurer. With this it is a very simple process for him to check the amounts received from taxes.

Outside of taxes and bond issues, the schools receive an average of 5 per cent of their yearly income from tuition, rental of gymnasium and musical instruments, resale of instructional supplies to students, interest on daily balances, etc. The amounts received and the nature of their sources vary considerably among the schools. Three schools receive tuition. Two make a practice of obtaining 2 per cent interest on their daily balances in their local banks. The total amounts received during 1930-31 above tuition and taxes varied from $2.00 to $2,941.02. For all of this money no form of receipt is used, apparently, in any of these schools. The posting to the cash received account is not done systematically.

2. Expenditures. (a) Seven of the schools make all payments by a double system of warrant and check. The procedure is as follows: The clerk of the board makes out a warrant for the amount of a bill that has been approved by the board.
A form commonly used during 1930-31 for this purpose is shown as Exhibit D in the appendix. He passes this to the director for his signature. The warrant is then given to the treasurer who keeps it for record and issues a check in his own name for the same amount. The clerk has his record of the warrant in the warrant register. The treasurer has the warrant, the stub record of the check he has issued, and the entry in the treasurer's register. In most cases there is no record made on the warrant or check as to the function of the expenditure.

One school pays all salaries by the above method but has a different way of paying other bills. It gives the principal a revolving or contingency fund from which to pay for all purchases that he makes for the school. The principal keeps a record of the payments he makes, classifying them as to function on a distribution sheet. The headings on this sheet are not the same as those upon which the school has to report at the close of the fiscal year. This results in uncertainty in the classification of costs when they are summarized for the annual report.

Another school pays all salaries by the warrant-check method but has still another way to pay other bills. In this case the principal pays all bills out of his own money. The board then reimburses him upon presentation of invoices. This principal keeps the same distribution sheet as the one above.

The other two schools use a single warrant for all ex-

*Note: The term function when applied to expenditures includes those purposes, or costs enumerated under Expenditures in the Financial Exhibit on Form 18F.
penditures. This circulates as a check.

(b) In all of the schools the principal may buy supplies and equipment up to reasonable amounts but does not have exclusive rights along this line. The clerk of the board in three schools does some of the buying. In four schools, the board as a whole attends to this business without any special effort to consult the principal. In six, the janitor orders his own supplies without the advice of the principal. In five schools one or more of the teachers may run accounts against the district without written orders from anyone concerned in the administration and without reporting the amount or nature of their purchases in writing. The schools depend mainly upon statements from creditors for actual knowledge of their accounts, in such cases. The ledger system of keeping accounts is not used.

(c) In five schools all bills of whatever nature against the school are collected into the hands of the principal. In the other six the practice varies and it is possible that one or more members of the board may present bills at business meetings. One principal makes a written list of all the bills to be presented at each meeting.

(d) In four schools the principal classifies all bills as to function. In five the clerk does this work. In the other two the clerk and treasurer together do this phase of accounting. The records of classification are made principally in the warrant register and the treasurer's register, although one school uses the voucher system of filing state-
ments. It is not the custom to mark statements by codes as to their classification so that this classification may be checked later.

3. History of financial transactions. (a) In four schools some effort is made to keep copies of all purchase orders but the same person does not keep all of these for any one school. In nine schools some effort is made to keep all invoices and statements for reference. The principal does this in six of the schools; the director in the other three schools. Some invoices are kept in every school but no determined and consistent effort is made to have a written record of every item paid.

A complete history of a simple financial transaction such as a purchase would include a written order or contract, some written evidence of the performance of the order or fulfillment of the agreement, and a record of payment. All of these elements should readily be found by code if not actually filed together. In no school of the group studied were such histories found. One school did not make contracts with its teachers.

One principal had an inventory of all of the property in a special department and another was beginning a comprehensive inventory of all the property throughout the school system. In neither of these cases, however, was a clear distinction made between equipment and supplies. The schools do not keep cumulative records of the property aside from invoices and statements made to prove purchases, or services.
There is similar laxity as to inventories of bonds and insurance.

4. Budgetary control. (a) The budgets made by these schools prior to the enactment of the budget law of 1931 consisted merely of estimates in lump sums or mill levies which the board considered necessary to run the schools. The form required to be used in their report to the county commissioners is shown as Exhibit E in the appendix. The form now required to be used for the annual statement of the budget, Form 42E, as shown by Exhibit F in the appendix, did not influence the older form of budget which was continued for the fiscal year 1931-32. Consequently no principal was able to show a budget statement under which his school was being operated at the time of the interviews, March, 1932.

5. Unit costs. No school kept records for the express purpose of computing unit costs. Only by calculation at the time the annual reports were made out was it possible to supply the data required.

6. Financial reports. (a) In four schools where the business is well centralized the facts called for on the annual reports on expenditures are readily found except that the distribution of costs is slightly different from that required under expenditures. In other schools the rule is for the record of receipts to be separate from the record of expenditures. The fact that there are no written inventories makes it extremely difficult for an accurate statement to be made concerning values of school property. As yet no regular system of budget making has been evolved in any school; so
the statements as to budgets, levies, current expenses, etc., are usually estimates instead of actual reports of facts.

7. Other business practices that affect accounting.

(a) All of the school boards in these schools have regular board meetings but none of them keep written minutes of proceedings. These meetings are frequently held elsewhere than at the school building. It is the prevailing custom for the boards to have their accounts audited or inspected by local committees prior to the annual meeting in April of each year but no instance was found where auditing was done by certified public accountants. In no case are all the financial records kept together in one central place. Rather, it is the rule for the clerk to keep part of these records, the treasurer to keep part of them, and the principal to keep part of them.

CHAPTER VI

PRESENTATION OF RESULTS IN PART B

The answers to the specific questions into which Part B of the general problem is divided are presented in this chapter. As explained in Chapter IV these answers were obtained by an analysis of the annual reports of the schools and of the official records pertaining to the finances of these schools in the offices of the county superintendent and county treasurer. For convenience the questions are repeated.

1. Were the data presented in the reports as to money received during the fiscal year 1930-31 accurate and complete?

Reference to the form of this annual report described in Chapter IV will show that the items dealing with receipts are 1 to 7 in the Financial Exhibit. The first examination was made of item 1, "Balance in hands of district treasurer July 1, 1930." Since this was the first entry in the statement of receipts and logically the first to be made in any cash ledger kept by the district board, it should be exactly the same as the balance on hand at the close of the previous fiscal year. The accuracy of the reports on this item was checked by comparing the balances shown by item 17 in the 1930 reports with the balances shown by item 1 in the 1931 reports. All of these were correct except the two cases below.

District No. 1 reported a balance June 30, 1930 of $600.96 and a balance on hand July 1, 1930 of ------ 600.85

Difference unaccounted for--------$ .11
District No. 7 reported a balance June 30, 1930 of $128.60 and a balance on hand July 1, 1930 of 47.28
Difference unaccounted for -------------- $ 81.32

Item 2 calls for the total amount of taxes received from the county treasury during the year. This was checked by comparing the totals given with the records of distributions as shown in the distribution ledger in the county treasurer's office. The results are shown in Table III.

TABLE III
COMPARISON OF RECEIPTS REPORTED FOR 1930-31 WITH THE RECORDS OF DISBURSEMENTS IN THE OFFICE OF THE COUNTY TREASURER

<table>
<thead>
<tr>
<th>District No.</th>
<th>Amounts reported by the schools as received during 1930-31</th>
<th>Amounts recorded by county treasurer as having been paid during 1930-31</th>
<th>Difference between amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$ 15,614.81</td>
<td>same amount</td>
<td>none</td>
</tr>
<tr>
<td>2</td>
<td>17,521.34</td>
<td>same amount</td>
<td>none</td>
</tr>
<tr>
<td>3</td>
<td>8,507.77</td>
<td>same amount</td>
<td>none</td>
</tr>
<tr>
<td>4</td>
<td>8,934.53</td>
<td>$ 8,782.86 plus $ 171.67</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>13,760.40</td>
<td>11,603.80 plus 2,156.60</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>13,029.34</td>
<td>12,666.11 plus 363.23</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>13,700.34</td>
<td>same amount</td>
<td>none</td>
</tr>
<tr>
<td>8</td>
<td>11,891.50</td>
<td>same amount</td>
<td>none</td>
</tr>
<tr>
<td>9</td>
<td>19,830.74</td>
<td>19,826.74 plus 4.00</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>21,550.35</td>
<td>23,335.35 minus 1,785.50</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>8,097.70</td>
<td>same amount</td>
<td>none</td>
</tr>
</tbody>
</table>

It can be seen in this table that six of the reports were correct in this item. Four reported having received
more than they actually received according to reliable records, and one reported considerably less than it actually received. It is quite possible that these inaccuracies were caused by the failure to classify receipts according to their sources. There was no means of checking items 3, 4, 5, and 6 from the reports themselves nor from other county records since money from these minor sources does not pass through the hands of the county treasurer. The one item, 2, covers all of the receipts which can be checked.

Item 7 is the total of items 1 to 6. This was checked by proving the addition. It was found correct in all of the reports.

2. Were the data presented on expenditures accurate and complete?

The items dealing with expenditures are 18 on the second page of Form 18F and items 8 to 17 inclusive under expenditures in the Financial Exhibit.

Item 18 calls for current expenses. Underneath it is this note: "Exclude items 11 and 12 under expenditures."

From this it may be inferred that all of the rest of the items under expenditures constitute current expenses. With this assumption the plausible method of finding the total of current expenses would be to subtract the sum of items 11 and 12 from the sum of all expenditures. Expressed as a formula this would be: Item 16 under expenditures minus the sum of items 11 and 12 on the second page of Form 18F equals item 18, on second page. The results of computing the actual current expenses by this method are given in Table IV.
TABLE IV

COMPARISON OF CURRENT EXPENSES AS REPORTED BY EACH SCHOOL WITH ACTUAL CURRENT EXPENSES AS COMPUTED BY FORMULA

<table>
<thead>
<tr>
<th>District No.</th>
<th>Current expenses as reported June 30, 1931.</th>
<th>Current expenses as computed by formula.</th>
<th>Difference between amounts.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$13,575.55</td>
<td>same amount</td>
<td>none</td>
</tr>
<tr>
<td>2</td>
<td>14,179.74</td>
<td>same amount</td>
<td>none</td>
</tr>
<tr>
<td>3</td>
<td>2,000.00</td>
<td>$7,529.31 plus $470.69</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>8,354.93</td>
<td>8,688.93 minus 344.00</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>9,000.00</td>
<td>13,189.20 minus 4,189.20</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>11,835.47</td>
<td>same amount</td>
<td>none</td>
</tr>
<tr>
<td>7</td>
<td>18,988.20</td>
<td>13,831.67 plus 5,156.53</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>9,922.25</td>
<td>10,921.88 minus 999.63</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>14,759.00</td>
<td>15,498.58 minus 739.59</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>18,864.33</td>
<td>same amount</td>
<td>none</td>
</tr>
<tr>
<td>11</td>
<td>7,526.63</td>
<td>same amount</td>
<td>none</td>
</tr>
</tbody>
</table>

Note: District No. 5 handles its own debt service which makes its current expenses much larger according to the formula. The debt service in this case was $3,525. When this is deducted the amount left is $9,664.20, which is still $664.20 more than the amount reported.

It can be seen in Table IV that six of the eleven schools made incorrect reports on current expense. Attention should be called, however, to the fact that current expenses are not necessarily the same as current expenditures. The payment of various bills legitimately classified as current expense may be deferred until after the close of a fiscal year. This would increase the amount of current expense.
for the following fiscal year. On the other hand they may be prepaid and cause a corresponding decrease in the current expense for the following year. The same may be said of current expenditures. Until a more comprehensive report of finances is devised this element of uncertainty will tend to make such items inaccurate and incomplete.

No check was made of the accuracy of items 8 to 15 inclusive under Expenditures. Accuracy in these items is a matter of classification as to function upon which no check can be except by referring to all of the original documents for the entire fiscal year. Attention is called, however, to two of these, items 8 and 13, for a different consideration. These two items call for costs of General Control and Debt Service.

Five of the schools reported nothing spent on general control. One reported only $2.00; one, $2.50; one, $12.95; another, $25.20; another, $118.39; and another, $310.22. These small amounts mean either that there was really no general control or that expenditures which should have been classified under this heading were put elsewhere. In the district reporting the largest sum there was a building project being completed involving the expenditure of $100,000.

As for item 13, seven of the schools reported nothing spent during the fiscal year, although ten of them have bond issues. The only one having no outstanding bonds reported $3525.00 for debt service. The explanation for this is that money for bonds and bond interest does not pass through the hands of the district treasurer. It is reserved from tax re-
receipts and placed in a separate fund, called the bond fund, for each taxing unit having outstanding bonds. When bond payments are due they are paid directly by the county treasurer to the Kansas Fiscal Agency, which handles all bond payments. The state treasurer is, by virtue of his office, also the Kansas Fiscal Agency and represents all bond holders in collection of bonds and interests. Payments from the bond fund of a district, therefore, although they are derived from taxes within the district, are not shown as receipts and expenditures in the annual report of that district. The county treasurer, however, each year prepares a summary of bonds, bond interests, and collection charges, due from every taxing unit that has outstanding bond issues. From this it would be easy to obtain information as to the real cost of debt service. Without this information the Financial Exhibit is incomplete. As noted in Chapter V in connection with the records of expenditures kept in these schools, there are no inventories of bonds in the schools and it is altogether probable that the actual cost of debt service is not generally known, in the ten communities.

In the case of the district, No. 5, which reported $3525 on debt service, an inquiry showed that this district had built its original building with an accumulated building fund plus money borrowed on registered warrants. Subsequently it built an addition by the same plan. For this reason its registered warrants are its outstanding debt. It has to report on the payments made for its debt service while the other
schools do not.

In order to check the amounts really spent for debt service in these school districts an examination was made of the sums that were reported by the schools themselves for item 13 in their annual reports; of the records of the county superintendent showing bond payments; and of the bond fund accounts of the districts as they had been kept by the county treasurer. The results are shown in Table V.

**TABLE V**

COMPARISON OF COSTS OF DEBT SERVICE FOR THE ELEVEN SCHOOLS AS SHOWN BY THREE DIFFERENT RECORDS

<table>
<thead>
<tr>
<th>District No.</th>
<th>Cost of debt service as reported in annual reports June 30, 1931</th>
<th>Bond payments recorded for the schools in records of county superintendent, for the same period</th>
<th>Bond payments as shown by records of the county treasurer for the same period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>$ 0.00</td>
<td>$3,000.00</td>
<td>$ 4,595.74</td>
</tr>
<tr>
<td>2</td>
<td>0.00</td>
<td>3,000.00</td>
<td>3,679.59</td>
</tr>
<tr>
<td>3</td>
<td>0.00</td>
<td>2,000.00</td>
<td>2,453.06</td>
</tr>
<tr>
<td>4</td>
<td>46.00</td>
<td>3,500.00</td>
<td>5,886.33</td>
</tr>
<tr>
<td>5</td>
<td>3,525.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>6</td>
<td>0.00</td>
<td>4,000.00</td>
<td>5,356.69</td>
</tr>
<tr>
<td>7</td>
<td>0.00</td>
<td>5,000.00</td>
<td>8,135.16</td>
</tr>
<tr>
<td>8</td>
<td>202.01</td>
<td>3,000.00</td>
<td>6,057.56</td>
</tr>
<tr>
<td>9</td>
<td>0.00</td>
<td>4,000.00</td>
<td>6,488.10</td>
</tr>
<tr>
<td>10</td>
<td>2,857.00</td>
<td>0.00</td>
<td>17,825.78</td>
</tr>
<tr>
<td>11</td>
<td>0.00</td>
<td>1,500.00</td>
<td>2,583.23</td>
</tr>
</tbody>
</table>
Table V shows the amounts reported by each school for debt service. According to the explanation of debt service given on Form 16F this may include all amounts paid as principal and interest on bonds and all forms of borrowed money. But as has been explained bond payments are not handled by the district boards and therefore are not included. On the other hand the records of the county superintendent in the Annual Report of that official to the State Superintendent do not include bond interest nor collection charges. The records of the county treasurer include all payments on bonds, interest, and collection charges, but not payments on borrowed money. Thus it can be seen that each record is not complete. Probably the records of the two treasurers should be combined to tell the complete story of debt service. To add to the confusion the accounts of the county treasurer are kept on the basis of the calendar year. To arrive at the amounts given in the table as shown in the records of that official, only the payments actually made within the fiscal year 1930-31 were included.

No check could be made of the accuracy of the sums reported on item 15, miscellaneous costs. The amounts ranged from $25.00 in District No. 1 to $1,322.27 in District No. 10.

Item 16 calls for the total expenditures, or the sum of items 8 to 15, inclusive. This was checked by proving the addition and found correct in all cases but No. 7 and No. 8. These showed a large excess over the total receipts during the same year. There evidently was confusion in these two cases
over outstanding warrants which had been classed as expenditures. There is a note under the term Expenditures reading: "Do not include outstanding orders", but this must not have been understood by the persons making these two reports.

Item 17 calls for the balance on hand. This was checked by proving the addition in each case, since item 17 must equal item 7. The balances were found correct except in the cases of the two schools just cited. Item 18 being the sum of 17 and 16, it was checked by the same operation. For item 19 no check was possible by any means available.

3. Did the items bearing upon the history of financial transactions indicate that such history was kept? Were the data accurate and complete?

The only items tending to fulfill this function of accounting are items 29 and 30 as described in Chapter IV. The one calls for the valuation of buildings and grounds; the other for the valuation of school furniture and apparatus.

It was discovered in Part A that no schools kept complete inventories of property. This failure caused some very erratic results in the annual reports from time to time on these values. As a check for accuracy and consistency in reporting these values an analysis was made of the reports on items 29 and 30 for the three years ending June 30, 1931. It seems reasonable to suppose that if a building were worth $50,000 at the close of a certain fiscal year and if during the following fiscal year only $1,500 were spent on maintenance and nothing on new outlays for the building, it could
hardly be worth $55,000 at the close of the second year. It also seems reasonable to suppose that much more than ordinary deprediation would have to occur to "furniture and apparatus" to make it shrink from $15,000 to $3,000 within one fiscal year.

These declared values are assembled together with the declared expenditure for new outlays and maintenance for each of the three successive fiscal years ending June 30, 1931. These expenditures were found as items 11 and 12 under Expenditures in the Financial Exhibits for those years. The results are shown in Table VI.
### TABLE VI

**DECLARED VALUATIONS OF SCHOOL BUILDINGS AND EQUIPMENT AND EXPENDITURES FOR MAINTENANCE AND NEW OUTLAYS FOR THREE YEARS ENDING JUNE 30, 1931.**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$50,000</td>
<td>$4,000</td>
<td>$1,937.81</td>
<td>$602.57</td>
<td>$50,000</td>
<td>$5,000</td>
<td>$1,486.28</td>
<td>$1,220.11</td>
<td>$50,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>2</td>
<td>65,000</td>
<td>7,000</td>
<td>1,570.53</td>
<td>1,023.50</td>
<td>65,000</td>
<td>7,000</td>
<td>3,044.22</td>
<td>1,740.56</td>
<td>66,000</td>
<td>8,000</td>
</tr>
<tr>
<td>3</td>
<td>45,000</td>
<td>5,000</td>
<td>500.00</td>
<td>-----</td>
<td>45,000</td>
<td>5,000</td>
<td>39.06</td>
<td>758.87</td>
<td>45,000</td>
<td>5,000</td>
</tr>
<tr>
<td>4</td>
<td>60,000</td>
<td>7,000</td>
<td>422.00</td>
<td>-----</td>
<td>60,000</td>
<td>7,000</td>
<td>380.00</td>
<td>204.00</td>
<td>60,000</td>
<td>7,000</td>
</tr>
<tr>
<td>5</td>
<td>65,000</td>
<td>3,000</td>
<td>1,157.42</td>
<td>-----</td>
<td>55,000</td>
<td>3,500</td>
<td>894.96</td>
<td>604.44</td>
<td>50,000</td>
<td>3,000</td>
</tr>
<tr>
<td>6</td>
<td>70,000</td>
<td>15,000</td>
<td>319.25</td>
<td>325.73</td>
<td>60,000</td>
<td>3,000</td>
<td>641.79</td>
<td>1,079.37</td>
<td>70,000</td>
<td>16,000</td>
</tr>
<tr>
<td>7</td>
<td>76,000</td>
<td>10,000</td>
<td>1,320.27</td>
<td>175.45</td>
<td>76,000</td>
<td>10,000</td>
<td>-----</td>
<td>-----</td>
<td>76,000</td>
<td>10,000</td>
</tr>
<tr>
<td>8</td>
<td>70,000</td>
<td>5,000</td>
<td>281.77</td>
<td>274.70</td>
<td>70,000</td>
<td>5,000</td>
<td>918.81</td>
<td>390.56</td>
<td>70,000</td>
<td>5,000</td>
</tr>
<tr>
<td>9</td>
<td>100,000</td>
<td>10,000</td>
<td>2,590.96</td>
<td>-----</td>
<td>100,000</td>
<td>10,000</td>
<td>2,378.67</td>
<td>-----</td>
<td>100,000</td>
<td>13,000</td>
</tr>
<tr>
<td>10</td>
<td>1,200</td>
<td>5,500</td>
<td>340.09</td>
<td>26,164.74</td>
<td>27,764.71</td>
<td>5,500</td>
<td>960.64</td>
<td>73,769.84</td>
<td>100,000</td>
<td>8,000</td>
</tr>
<tr>
<td>11</td>
<td>40,000</td>
<td>3,000</td>
<td>132.00</td>
<td>930.02</td>
<td>27,500</td>
<td>4,000</td>
<td>262.32</td>
<td>824.56</td>
<td>30,000</td>
<td>5,000</td>
</tr>
</tbody>
</table>
To interpret this table take the data concerning values for District No. 1 as they occur horizontally under each column. Columns B and C show that the buildings and grounds in this district were valued at $50,000 on June 30, 1929, and that school furniture and apparatus were valued at $4,000 on the same date. During the following year, as shown in the columns D and E, the district spent $1,037.81 for maintenance and $602.57 for new outlays. The buildings and grounds were still worth $50,000 on June 30, 1930, column F; but the furniture and apparatus were worth $5,000, column G, instead of $4,000. Then during the next fiscal year the district spent $1,486.28 for maintenance and $1,220.11 for new outlays, as shown in Columns H and I. The buildings and grounds were still worth $50,000 and the school furniture and apparatus remained at the same value as the previous year--columns J and K.

A very noticeable fact in connection with these declared valuations is that, except in the case of District No. 10, they were always in round numbers for every year and even District No. 10 reported them in round numbers in 1931. Table I, page 18, shows that the declared values totaled $802,000 in 1931. Did that really represent the actual value of school properties? If actual values are needed for statistical purposes in the state department of education, why not make them accurate? How much faith can the tax-payer place in administrators and board members who cannot account for the money they spend?
4. Did the information on budgets indicate that the schools used budgets as controls over receipts and expenditures? Were the data accurate and complete?

The very meager information afforded by the reports did not indicate budgeting control. In fact the items which call for information dealing in any way with budgets, items 17, 18, and 32, were unanswered in many of the reports.

The subject of budgeting forms a part of Chapter VII dealing with special difficulties encountered in this study of accounting.

5. Were the data on any phase of unit costs accurate?

Items 18, 19, and 20 on the second page of Form 18F are the only items that deal in any sense with unit costs. Item 18 calls for current expenses and items 19 and 20 call for costs of tuition based on enrollment and average daily attendance. Item 18 is not a measure of unit costs but is necessary in the computation of tuition costs that are called for in items 19 and 20.

In order to check these items for accuracy it was necessary to assume that the tuition costs given in the reports were based upon formulas. Form 18F does not state formulas for these items but the following are in general use:

\[
\frac{\text{Current expenses}}{\text{Enrollment} \times \text{number of months in school year}} = \text{cost of tuition per pupil per year on enrollment}
\]

and

\[
\frac{\text{Current expenses}}{\text{Aver. dly. attend.} \times \text{number of months in school year}} = \text{cost of tuition per pupil per month on average daily attendance}
\]
Thus to compute the tuition per pupil per month in a school where the current expenses were $8,354.93, the enrollment 42, the average daily attendance 41.4, and the number of school months 9, one would substitute in the formulas as follows:

\[
\frac{8,354.93}{42 \times 9} = 22.10, \text{ the cost per pupil per month on enrollment.}
\]

and

\[
\frac{8,354.93}{41.4 \times 9} = 22.42, \text{ the cost per pupil per month on average daily attendance.}
\]

These computations were made for each of the eleven schools. First the current expenses as they were reported for 1930-31 were used to check the accuracy of the tuition costs that were presumably calculated from them. Then the corrected current expenses as shown in Table IV were used in the formulas. In all of the computations the enrollment and average daily attendance of each school were used as factors without question. The results are shown in Table VII.
## TABLE VII

COSTS OF TUITION AS REPORTED
AND AS COMPUTED BY
FORMULA FOR
1930-31

<table>
<thead>
<tr>
<th>No. of District</th>
<th>Enrollment 1930-31</th>
<th>Average daily attendance, 1930-31</th>
<th>Current expenses, 1930-31, reported</th>
<th>Tuition per pupil on enrollment reported</th>
<th>Tuition per pupil on enrollment computed by formula, 1930-31</th>
<th>Current expenses as computed in Table VII</th>
<th>Current expenses as A.D.A. computed by formula, on corrected current expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>96</td>
<td>92</td>
<td>14,179.74</td>
<td>16.41</td>
<td>16.94</td>
<td>16.41</td>
<td>17.12</td>
</tr>
<tr>
<td>C</td>
<td>38</td>
<td>37.4</td>
<td>8,000</td>
<td>21.50</td>
<td>21.40</td>
<td>23.39</td>
<td>23.77</td>
</tr>
<tr>
<td>D</td>
<td>42</td>
<td>41.4</td>
<td>8,354.93</td>
<td>22.10</td>
<td>22.36</td>
<td>22.10</td>
<td>22.42</td>
</tr>
<tr>
<td>E</td>
<td>49</td>
<td>47.3</td>
<td>9,000</td>
<td>15.30</td>
<td>15.90</td>
<td>20.41</td>
<td>21.14</td>
</tr>
<tr>
<td>F</td>
<td>112</td>
<td>109.4</td>
<td>11,835.47</td>
<td>10.56</td>
<td>10.85</td>
<td>11.74</td>
<td>12.02</td>
</tr>
<tr>
<td>G</td>
<td>101</td>
<td>96.25</td>
<td>18,866.20</td>
<td>20.83</td>
<td>21.92</td>
<td>20.89</td>
<td>21.92</td>
</tr>
<tr>
<td>I</td>
<td>127</td>
<td>119</td>
<td>14,759.00</td>
<td>12.90</td>
<td>15.22</td>
<td>12.91</td>
<td>13.78</td>
</tr>
<tr>
<td>K</td>
<td>37</td>
<td>36</td>
<td>7,526.63</td>
<td>17.46</td>
<td>18.44</td>
<td>22.60</td>
<td>23.23</td>
</tr>
</tbody>
</table>

*Note* includes debt service.
In column B of Table VII appears the enrollment for each school; in column C is the average daily attendance, (A.D.A.); in column D appear the current expenses as they were reported. In columns E and F appear the tuition costs as they were reported. In columns G and H are the tuition costs as they were computed by the use of the formula given above, using the current expenses as they were reported. In column I are the corrected current expenses and in column J and K are the tuition costs computed by formula with the corrected current expenses as a factor.

The first inaccuracies, therefore, can be seen by comparing the costs for each school as they appear in columns E and G and again in F and H. These are all computed with the factors as they are supplied in the annual reports. The next inaccuracies can be found by comparing the costs for each school as they appear in columns G and I and H and K. Columns J and K are to be considered as the criteria since the figures given there were all obtained by the use of the same formulas and were proved by checking all operations involved.

6. Were the financial reports as a whole accurate and complete?

This question was answered in substance by the answers to the other five in Part B. As a summary of the analysis that has been made, the items are again assembled by number and the inaccuracies are shown in their relation to each of the schools. The results are shown on Check Sheet B.
CHECK SHEET B

SUMMARY OF ITEMS BY NUMBER AS THEY ARE RELATED TO THE SCHOOLS

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Schools designated by number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>17</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>OK</td>
</tr>
<tr>
<td>19</td>
<td>x</td>
</tr>
<tr>
<td>20</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>x</td>
</tr>
<tr>
<td>30</td>
<td>x</td>
</tr>
<tr>
<td>31</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td></td>
</tr>
<tr>
<td>Exhibit</td>
<td></td>
</tr>
<tr>
<td>Item No.</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>x</td>
</tr>
<tr>
<td>2</td>
<td>OK</td>
</tr>
<tr>
<td>3</td>
<td></td>
</tr>
<tr>
<td>4</td>
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</tr>
<tr>
<td>5</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>OK</td>
</tr>
<tr>
<td>8</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>x</td>
</tr>
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<td></td>
</tr>
<tr>
<td>15</td>
<td></td>
</tr>
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<td>OK</td>
</tr>
<tr>
<td>17</td>
<td>OK</td>
</tr>
<tr>
<td>18</td>
<td>OK</td>
</tr>
<tr>
<td>19</td>
<td></td>
</tr>
</tbody>
</table>

*Note: X indicates an item checked, and OK indicates an item not checked.*
In Check Sheet B the schools are shown by their numbers at the top. The items are arranged by number in the column at the left. Opposite each item and underneath the number of the schools appear symbols. The OK means that the item was checked and found correct. The X means that the item was found incorrect in the report of the school designated. The question mark ? means that the item is open to serious question as to accuracy and completeness. The items upon which no check could be made are indicated by notation to that effect.

Item 18, for example, was OK in schools No. 1, 2, 6, 10, and 11, but incorrect in schools No. 3, 4, 5, 7, 8, and 9. Item 7 was OK in all of the schools. This was the only item that was found correct in all of the reports. Close examination of the check sheet will reveal that no one school had every item correct. Many of the errors were minor ones and the items were not of equal importance, but the fact remains that there were inaccuracies in too many cases.

CHAPTER VII

SPECIAL DIFFICULTIES IN ACCOUNTING
COMPLETE STATEMENTS OF FINANCE

In Chapter V great variations in accounting and business practices were found which could logically be expected to affect the accuracy of the data given in financial statements. In Chapter VI a great many inaccuracies were discovered in the annual financial exhibits for the fiscal year 1930-31. The present chapter is devoted to an explanation of some of the weaknesses inherent in the general system of school accounting that prevails in the state and which undoubtedly contribute to inaccuracy and incompleteness in reports on school finance. Following the explanation an attempt is made to show a complete statement of receipts and expenditures for each of the schools. The purpose is to show that school costs were really not reported in full on the financial exhibits made for the fiscal year 1930-31.

First, in justice to those who supplied the data on the reports that have been analyzed, it should be said that Form 18F does not provide for a complete report. There is an element of uncertainty or ambiguity about certain items that make possible wide differences in interpretation. The reader is again referred to Exhibit B in the appendix for the text of Form 18F.

Item 17 is the first one appearing that calls for data dealing with financial matters. It is isolated from the real financial exhibit and calls for "total levy for high
schoolspurposes." There is nothing to indicate whether this is meant for the year just closing or for the year to follow. The report is made on or after June 30 of each year. More than two months previous to the time it is due, i.e., in April, a budget was made for the ensuing year. The tax rate in effect at the time the report is made was really made over a year prior to the date the report is due. Which levy is meant? This item was almost totally ignored in the reports examined in this study.

Farther down on the same page of Form 18F is item 32, which calls for the "total levy in mills_____ in dollars ________." Between item 17 and item 32 are a number of others calling for other information and tending to interrupt the trend of thought connecting these two items. The result naturally would be confusion as to the exact meaning of the two. Item 32 furthermore does not indicate whether or not the reply should include the levy for bonds. Yet bonds must be paid for by tax money and both board members and administrators should at least know the tax rate for the same or the amount to be paid.

For item 18, calling for current expenses, there are incomplete directions as to the method of determining the same. The note, to which attention was called in Chapter VI, says: "Exclude items 11 and 12 under Expenditures." From this it may be inferred that current expenditures are the same as current expenses, an assumption that will not stand a rigid test. That it is frequently misinterpreted is proved by the
of a certain analysis summarized in Table IV, in which it was discovered that six reports were incorrect on this item.

Item 11 is for maintenance, which cost is thus deducted from current expense, but in two other forms devised for statements of school finances, maintenance is specifically included in the item calling for current expense. Form 18F is silent about whether debt service is to be included in current expense, yet the two forms referred to specifically exclude it. These two forms are Form 18B and 18C that are made out by graded schools and cities of the first and second class. This lack of agreement or definition invalidates comparisons that might be made between current expenses in different classes of schools.

Items 18 and 19 call for tuition costs. These are logically computed from current expenses although there are no directions or formulas given for their computation. Furthermore, if there is confusion as to what current expense is, a corresponding indefiniteness accompanies it in regard to tuition. In the analysis of tuition costs shown in Table VII it is shown that inaccuracies occurred. Many of these could have been caused by the use of different formulas or by differences in interpretation of what was meant by items 17, 18, and 19.

Under Expenditures in the Financial Exhibit in Form 18F appears the note: "Do not include outstanding orders." It is well to ask if this means outstanding orders left unpaid at the close of the fiscal year previous to the one for which the report is made or those unpaid for the year just ended. It
also causes a question to arise as to the classification of outstanding orders: Should they be charged to debt service at the time they are paid or as they are made? How can current expense actually incurred but not paid during the fiscal year be shown?

No place is made on the form for a report on the value of instructional supplies on hand, of accounts receivable, or of accounts payable. All of these affect budgets, current expenses, and studies of unit costs that might be undertaken.

Thus it can be seen that the annual report itself is not conducive to complete and accurate statements. At the same time the accounting practices within the schools evidently were not deliberately designed to meet the requirements of the annual report. The two causes both contributed to the unreliability of results.

One especially puzzling feature about the system of raising and accounting for tax money in the state exists. This is the over-lapping of the tax year and the fiscal year. The annual reports that have been analyzed cover the fiscal year beginning July 1 of one year and closing June 30 of the next year. The financial operations occurring between these dates are to be accounted for. The tax year is ordinarily regarded as a calendar year because of the fact that the distribution of tax money to taxing units are all made within the calendar year beginning January 1 and ending December 31. In reality the proceedings necessary to collect these taxes
begin early in the preceding year. Property assessments are made in March. Budgets for some of the taxing units are begun in April; other budgets are made in July and August. The levies are reported at various times to the county commissioners but they must all be reported by the first of September. The tax rolls are then made up, tax rates determined, etc. The first half of the tax is due in December; the last half is due in June of the following year. The custom of distributing the tax money varies to some extent among the counties of the state but in Reno County, where this study was made, the following regulation is observed closely: A distribution of 40 per cent of the amount allowed for each fund maintained on the county treasurer's books for a taxing unit is made on January 20 following the first receipt of taxes. The next distribution is 10 per cent of the amount and is made on April 20; the third is 40 per cent on July 20 and the last is 10 per cent and is made on October 20. Thus it can be seen that a report for a fiscal year includes two distributions made for one year and two for another.

The financial report made by the eleven school districts in this study for the year ending June 30, 1931, included, in the item on taxes received, the distributions of July 20 and October 20 of 1930 and those of January 20 and April 20 of 1931. This regulation has been in effect year after year and is not commonly understood among the administrators of the schools. It has an important effect upon budgeting.
The budget law of 1931 requires that a statement be made showing the amount raised by taxes during the fiscal year and also the amount proposed to be raised during the ensuing year. The form for this statement is shown as Exhibit E in the appendix. The items required follow closely those in the Financial Exhibit in Form 18F. While it is true that the law did not affect the budgets made by these schools for the year covered by the reports that have been analyzed, it will affect their accounting in the future. It is explained here as another instance of confusion caused by the overlapping of tax year and fiscal year.

The budget statement must be prepared and presented to the patrons of the rural high schools at their meeting in April. It does not necessarily have to be adopted at that time for the rural high school board has the power to make the actual budget. The statement, however, must show the amount of taxes raised during the year which has not yet ended. In fact at the time of the meeting, which is set by law as the second Thursday in April, the district treasurer has received only 40 per cent of the money levied the previous year for the expenses of the school; he may be expected to receive another 10 per cent soon after the meeting but in the statement must anticipate this and also anticipate all of the expenses that will be incurred during the time remaining till June 30, in order to estimate what will be needed for expenses the following year. Under such conditions the budget statement can hardly be expected to coincide with the annual
financial exhibit as it is finally made.

Still another condition makes the budget law ambiguous. Whereas the statement must show the total amount to be raised within the district for the ensuing year, it would seem to include the levy for bonds and bond interest. However, the levy for such purposes is made by the county commissioners without the knowledge and consent of the board or the people of the district concerned. It is undoubtedly raised by taxation within the district. Should it be included in the budget statement? There is a place for debt service in the annual Financial Exhibit, and debt service constitutes a very important item in the complete total of costs among these schools as is shown by Table V in Chapter VI. The patrons of a district pay the bill. The annual statement of receipts and expenditures is incomplete without this information.

For the reason just explained it is necessary for the county treasurer to keep a separate bond fund for each taxing unit having outstanding bonds. For rural high schools in Reno County the county treasurer keeps only the general fund and the bond fund. The district board may draw money from the one on or after the date of each distribution but the bond fund is handled entirely by the county treasurer.

On the other hand the district board receives minor funds from sources other than taxes. These funds are unknown to the county treasurer but are included in the annual report of the district treasurer. In order to make a complete statement of all the funds raised and spent in the interest of the school,
therefore, it is necessary to combine the statements of the
district treasurer and the records of the county treasurer.
Even a considerable amount of money is not accounted for that
actually figures in the cost of a school in the form of in-
ternal or extra-curricular funds. The consideration of ac-
counting for such funds is not a part of this study.

The running outline given below is an attempt to summa-
rize briefly this dual control over the money of a rural high
school district as it was found in Reno County.

I. Fixing the levy

1. An amount is agreed upon by the rural high school
board as necessary for the purposes of the school during the
following year. This is done in April. The amount is report-
ed to the county commissioners on Form 11A, which is shown in
the appendix as Exhibit F.

2. The amount necessary for bond payments, interest
on bonds, and collection charges is determined by the county
treasurer. The two sums are considered by the county commis-
sioners when the rates are fixed.

3. After the assessed valuation of the district is
known two tax rates are made; one necessary to raise sufficient
money for the purposes outlined in 2, above; the other for the
running expenses of the school. The two must not exceed six
mills on the dollar of the taxable property of the district.
Special provisions are made for only a few schools of the
state in this class.
II. Distributing the tax money

1. The first half of the taxes are due in December of each year. The distributions are then made in four installments as has been described, to the funds maintained for each district. These funds are strictly non-transferable.

III. Drawing money from the general fund

1. A balance may have been left in the hands of the county treasurer at the close of the fiscal year last ended. This may be drawn on on July 1 if necessary. Then the distributions may be drawn on as they are made.

2. The county treasurer has the right and duty to make charge-backs against this general fund without the knowledge and consent of the rural high school board. These are generally for delinquent taxes from property owners within the district.

IV. Other forms of income for the district

1. Balance in hands of the district treasurer at the end of the last fiscal year.

2. Tuition from pupils residing outside the district.

3. Rentals for use of the gymnasium, sale of instructional supplies, etc.

4. Interest on daily balances in local banks.

V. Disposition of the bond fund

1. State law requires that all bond payments to bond holders be made through the state treasurer. The county treasurer is required to send in the amounts necessary to meet these payments at least fifteen days prior to the date they become due.
VI. Payments of money made by the rural high school board

1. All money received by the board from any source is subject to its orders under the restrictions of the law. As explained in Chapter V it is usually paid out by warrant and check or by check alone.

VII. Financial Statements

1. The district treasurer makes his financial statement on Form 18F for the fiscal year.

2. The county treasurer issues a statement of the condition of the general fund in his keeping for each district. This is sent out some time prior to the end of each fiscal year.

3. The county treasurer also prepares a summary of all bond payments that are due within each calendar year but does not arrange it especially to show the amounts due during the fiscal year. This summary is not published nor furnished to every taxing unit but is open to inspection by any tax-payer. He does not have to report on bond payments nor charge-backs against the general fund but his records of both funds are also open to inspection by the tax-payer or citizen.

The statement on page 68 is an attempt to show the complete record of receipts and expenditures actually involved in the financial operations of Rural High School District No. 1 during the fiscal year 1930-31. Following the outline that has just been given, this statement combines the totals of receipts and expenditures shown in the financial exhibit of the school for that year supplemented by records from the
county treasurer's office, covering the general fund and the bond fund for this school. Part A of the statement shows the combined general fund. Part B shows the bond fund. Part C combines the total of both general and bond fund. The items marked by "x" are derived from records in the office of the county treasurer; those marked "y" are derived from the financial exhibit of the school.

This annual exhibit showed total receipts for the year of $16,329.66 and total expenditures amounting to $16,281.94 and a balance of $47.72. The combined statement shows, in items 18, 19, and 20 a grand total of $20,382.02 receipts, a total expenditure of $22,123.86. The net results or balance for the fiscal year is therefore a deficit of $1,174.84.

Attention is called to item 8, called charge-backs. These are deducted from the general fund by the county treasurer and therefore do not pass through the hands of the district treasurer. When they are eventually paid they are turned into the general fund. For this reason they constitute an asset and it is advisable to consider them when the budget is made. Being originally a part of the distributions made to this school they are included both as a receipt and later as a check against the general fund. As a receipt they are included in item 4; as an expenditure they are included in item 8.
### REVISED STATEMENT OF RECEIPTS AND EXPENDITURES IN HIGH SCHOOL DISTRICT No. 1 FOR THE FISCAL YEAR OF 1930-31.

#### A. General fund of district treasurer and county treasurer combined.

**Receipts**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>xi.</td>
<td>Amount called for in April, 1930</td>
<td>$16,000.00</td>
</tr>
<tr>
<td>x.</td>
<td>Amount actually distributed to the general account by county treasurer</td>
<td>$14,767.02</td>
</tr>
</tbody>
</table>

(2 distributions from 1930; 2 from 1931.)

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>xii.</td>
<td>Balance in hands of county treasurer from previous fiscal year, June 30, 1930</td>
<td>$911.24</td>
</tr>
<tr>
<td>xiii.</td>
<td>Total amount in general fund as shown on the records of the county treasurer</td>
<td>$15,678.26</td>
</tr>
<tr>
<td>iv.</td>
<td>Amount received by district treasurer from all sources other than taxes</td>
<td>$714.85</td>
</tr>
<tr>
<td>v.</td>
<td>Total receipts for combined general fund</td>
<td>$16,393.11</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>y.</td>
<td>Expenditures reported by district treasurer</td>
<td>$16,281.94</td>
</tr>
<tr>
<td>x.</td>
<td>Charge-backs deducted from the general fund by the county treasurer</td>
<td>$63.45</td>
</tr>
<tr>
<td>v.</td>
<td>Total credits against the general fund</td>
<td>$16,345.49</td>
</tr>
<tr>
<td>x.</td>
<td>Balance in hands of district treasurer, June 30, 1931</td>
<td>$47.72</td>
</tr>
<tr>
<td>x.</td>
<td>Balance in county general fund for the district</td>
<td>none</td>
</tr>
<tr>
<td>x.</td>
<td>Apparent cash balance on hand June 30, 1931</td>
<td>$47.72</td>
</tr>
</tbody>
</table>

#### B. Bond fund as accounted for by county treasurer.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>x.</td>
<td>Amount distributed to the bond fund for this school district during fiscal year 1930-31</td>
<td>$3,988.91</td>
</tr>
<tr>
<td>x.</td>
<td>Deficit on hand July 1, 1930</td>
<td>$1,182.63</td>
</tr>
<tr>
<td>x.</td>
<td>Balance from which to make payments</td>
<td>$2,806.28</td>
</tr>
<tr>
<td>x.</td>
<td>Actual payments on bonds, interests and collection charges during the fiscal year</td>
<td>$4,525.74</td>
</tr>
<tr>
<td>x.</td>
<td>Balance in bond fund, June 30, 1931 (DEFICIT)</td>
<td>$1,789.46</td>
</tr>
</tbody>
</table>

#### C. Totals of General Fund and Bond Fund.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>x.</td>
<td>Total receipts (sum of items 6 and 13)</td>
<td>$20,382.02</td>
</tr>
<tr>
<td>x.</td>
<td>Total expenditure (sum of items 9 and 16)</td>
<td>$22,123.86</td>
</tr>
<tr>
<td>x.</td>
<td>Combined balance (DEFICIT)</td>
<td>$1,741.84</td>
</tr>
<tr>
<td>x.</td>
<td>Proof of balances (sum of items 12 and 17)</td>
<td>$1,174.84</td>
</tr>
</tbody>
</table>
Attention is also called to the deficit already mentioned as the net result for the year, item 20. Although the district had a small cash balance on hand in the district as shown by item 12, a large deficit in the bond fund overcomes it. This deficit was probably overcome after the close of the year by the July and October distributions of taxes, but the fact is that the net results of the financial operations of this rural high school are represented by this deficit. As a matter of fact the records of the bond funds of these eleven rural high schools show that eight of them began the fiscal year 1930-31 with large deficits and without exception ended the fiscal year with one still larger; two had a surplus and one maintained its own debt service.

Similar statements were made for all of the schools concerned in order to arrive at the totals called for by items 18, 19, and 20 that have just been defined above. Then the total receipts and expenditures appearing in the financial exhibits of the reports for 1930-31 were tabulated. The results are shown in Table VIII.

In order to compare the totals that were reported by the school with the totals as found by the combined statements, compare the sums in column A with those in column B; those in column B with those in column E; and those in column C with those in column F. As an example take rural high school No. 8.
Total Receipts as shown in column A $12,646.90
Total Expenditures as shown in column B $12,231.25
Balance as shown in column C, surplus -------- $415.65
Total receipts as shown in column D $18,842.41
Total Expenditures as shown in column E $20,914.10
Balance as shown in column F deficit -------- $2,171.69

TABLE VIII
COMPARISON OF SUMMARIES OF FINANCIAL EXHIBITS IN ANNUAL REPORTS FOR 1930-31 WITH SUMMARIES OF COMBINED RECORDS OF DISTRICT TREASURER AND COUNTY TREASURER FOR 1930-31.

<table>
<thead>
<tr>
<th>District Treasurers' Receipts</th>
<th>Expenditures</th>
<th>Balances</th>
<th>Combined Records Receipts</th>
<th>Expenditures</th>
<th>Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 1</td>
<td>$16,326.66</td>
<td>$16,281.94</td>
<td>$47.72</td>
<td>$20,382.02</td>
<td>$22,123.86</td>
</tr>
<tr>
<td>2</td>
<td>19,188.75</td>
<td>18,964.22</td>
<td>224.53</td>
<td>22,834.02</td>
<td>24,482.71-1,648.69</td>
</tr>
<tr>
<td>3</td>
<td>10,722.66</td>
<td>8,327.24</td>
<td>2,395.42</td>
<td>12,811.26</td>
<td>11,349.00</td>
</tr>
<tr>
<td>4</td>
<td>8,948.98</td>
<td>8,938.93</td>
<td>10.05</td>
<td>14,486.55</td>
<td>15,541.84-1,055.29</td>
</tr>
<tr>
<td>5</td>
<td>16,330.74</td>
<td>14,686.60</td>
<td>1,642.14</td>
<td>16,584.26</td>
<td>14,942.12</td>
</tr>
<tr>
<td>6</td>
<td>14,077.15</td>
<td>13,556.63</td>
<td>520.52</td>
<td>19,406.55</td>
<td>21,481.85-2,075.30</td>
</tr>
<tr>
<td>7</td>
<td>13,831.67</td>
<td>13,831.67</td>
<td>0.00</td>
<td>24,120.62</td>
<td>22,043.00</td>
</tr>
<tr>
<td>8</td>
<td>12,646.90</td>
<td>12,231.25</td>
<td>415.65</td>
<td>18,842.41</td>
<td>20,914.10-2,071.69</td>
</tr>
<tr>
<td>9</td>
<td>24,680.08</td>
<td>17,877.25</td>
<td>6,802.83</td>
<td>31,142.32</td>
<td>27,369.87</td>
</tr>
<tr>
<td>10</td>
<td>93,634.76</td>
<td>93,594.81</td>
<td>39.95</td>
<td>112,265.25</td>
<td>111,514.54</td>
</tr>
<tr>
<td>11</td>
<td>8,763.23</td>
<td>8,613.52</td>
<td>149.71</td>
<td>11,234.17</td>
<td>12,120.10 - 885.93</td>
</tr>
</tbody>
</table>

Totals $239,154.58 226,906.06 12,248.52 304,109.43 303,882.99 226.52

Note: Balances in column F marked "-" are deficits.
Column B contains the same data as that shown in column F in Table I, Chapter III. These were originally included to show the sums that were reported spent by these schools. The grand total is $226,906.06. In column E of Table VIII are the corrected amounts. The grand total is $303,882.99. The sums in this column and the grand total itself are believed to be much nearer the actual cost of education in these schools than those reported by the schools. The differences are evidently caused by a faulty system of accounting and reporting fully as much as by laxity in methods and practices in local district administration.

CHAPTER VIII

SUMMARY OF RESULTS IN PARTS A AND B
RECOMMENDATIONS FOR PART C

Part A of the general problem is: What records do these schools keep of their finances?

Part B of the general problem is: Were the results of their accounting for the fiscal year 1930-31 accurate and complete?

In order to follow a definite procedure in seeking the answers to these two phases certain functions of financial accounting for schools were adopted as criteria by which to judge both methods and results. The two main questions were then divided into several more specific questions dealing directly with each of the functions.

Answers were sought in Part A through personal interviews with the principals of the schools. The results were presented in Chapter V.

It was found that these schools keep very meager records of the money they receive. They have adequate means for checking the amounts they receive from the county treasurer, but a large number failed to report the amounts correctly for 1930-31. They use no regular forms upon which to record sums of money received from minor sources. The result of this failure is confusion in their attempts to classify all receipts as to their source, when they make out their annual reports.

They have no uniform way of making payments. The system which involves the use of both warrant and check is used by a majority of the schools. The practice prevails in several
schools of allowing the principal a large contingency fund. This is generous and probably reflects the degree of trust that is placed in these principals, but the practice is a potential cause of criticism. Furthermore it divides the work of keeping accounts, since some records are kept by the principal and some by the members of the board.

These schools have no methods of accounting at present that result in cumulative records of their property. They have no forms for this purpose and make no attempt to keep this kind of information. The extent to which the history of financial transactions is kept is generally limited to filing of invoices and statements, the voucher system being used only in a small number of schools.

They have not been operating under any systematic budget plans, at least not to the extent of using budget appropriations as controls over expenditures. The budget law of 1931 did not influence their usual customs in regard to planning the operation of their schools for the fiscal years of 1930-31 or 1931-32.

The regular and systematic accumulation of data for unit cost studies has no place in their accounting.

It is the rule for all of the district boards of these schools to have regular business meetings but no records are kept of the proceedings.

While the majority of the district boards show a tendency to centralize the business affairs of the schools in the hands of the principals, they do not agree universally
as to his duties. There is consequently some confusion as to who should keep the financial accounts. It is the rule rather than the exception to find three persons keeping some of these accounts—the principal, the clerk, and the treasurer.

The second part of the problem was answered by an analysis of the annual reports made by these schools for 1930-31. The results of this analysis were presented in Chapter VI. Certain difficulties that affect financial accounting in all the schools of the state were treated separately in Chapter VI.

The total receipts reported by each school could not be checked for accuracy with other records because the school had received money from minor sources. However, the amounts reported as having been received from taxes were found inaccurate in a large number of cases.

The reports on expenditures seemed somewhat confused in respect to their distribution as to costs. Two were quite inaccurate as to the total amount spent. Debt service was not reported in full owing to state regulations over which the local school district has no control.

An examination of the reports on property valuations over a period of three years showed that data on such items had not been derived from adequate records. They were inconsistent from year to year in relation to original investments and subsequent expenditures for maintenance and new outlays.

A check on the accuracy of tuition costs showed that the large majority were inaccurate.
From the standpoint of absolute accuracy no annual report from this group of schools for 1930-31 was correct in all of the items on finance. The proofs of inaccuracy were found partly within the reports themselves and partly in other records whose authenticity can hardly be questioned. Many inaccuracies, however, were caused in part by the deficiencies of Form 18F and an apparent lack of agreement as to terms used in school accounting.

This general summary of findings is given as a background for the consideration of Part C of the general problem: How can the financial accounting systems of these schools be improved?

The answer lies in the selection and use of a system of uniform, simple, and unified records suitable to the needs of these high schools. It follows also that the need must be realized by the educational leaders of the county and the recommendations that follow be accepted and put into practice.

The records must be uniform in order to produce comparable results. They must be simple in order to be used by people relatively untrained in financial accounting for schools; and in order to avoid "red tape" and unnecessary work. They must be unified and coordinated in order to "fit into" one another and to result in reliable and complete data. They must be purposely directed toward some end, as for example, the production of 100 per cent correct annual reports. This appeals to the writer as a project worthy of the attention of the group of eleven principals, thirty-three
school board members and the county superintendent of Reno County, who have charge of these high schools. They are the ones who must account for the money spent; who must make policies and budgets for the operation, and who must defend and justify these schools. They cannot do it without adequate accounting systems.

The following records are recommended as essential to an accounting system suitable for these schools. The blanks and books of record should be provided for every board. To accompany them should be a comprehensive list of definitions of terms used in school accounting, formulas for certain computations, a detailed study of these records as they are related to the annual report, and rules for the operation of the system.

The essential records are:

- Minutes book for board meetings
- Cash book
- Receipt book for minor funds
- Warrant book with stub record
- Warrant register with distribution sheet
- Requisition--order blanks and contracts
- Voucher jackets
- Inventory forms for
  - building
  - bonds
  - equipment
  - supplies
  - insurance
An integral part of the system of records will consist of incoming invoices, statements, etc., which do not have to be supplied by the local school.

In order to show how these forms can meet the needs that have been discovered the recommendations concerning their use follow the same general outline of functions as Parts A and B. Receipts:

Forms needed: Receipt form from county treasurer; receipt form for minor funds; cash ledger book or account; deposit slips and pass book from local bank.

Methods: There is a need for better posting of funds drawn from the county treasury. No new form is needed for this purpose but the form provided by the county treasurer should be used as it is intended to be used. All sums drawn from the county treasury should be deposited in the local bank which is used as the depository for the district funds. There will thus be additional proofs of the amounts that have been received, in the form of deposit slips and the pass book. There is a common need for some form of receipt blank to be made out in duplicate when funds are received from minor sources. Such money should always be taken in directly by the treasurer whenever possible. It is often considered necessary for the principal to handle such minor funds. In order to make the record of receipts accurate and complete he should not deposit these separately from the regular district fund. The better rule is for him to issue the proper receipt for the money and hand the duplicate with the cash
itself to the treasurer.

Whenever it is considered necessary for the principal to have a contingency fund, the amounts for the same should be charged to miscellaneous costs until a report is made by him. Then the expenditures can be distributed by function.

Whatever arrangements are made locally for contingency or revolving funds, the district treasurer's records should show in one account all of the funds that have been received by the district, and all that have been expended. It facilitates accounting and protects all of the people concerned with the administration of the schools. This rule is not meant to include extra-curricular funds.

A definite cash ledger account should be kept by the district treasurer. A small book suitably ruled will serve the purpose for the entire number of receipts for a year will not take much space. For this reason the cash account is sometimes kept in the warrant ledger which the treasurer also keeps. The essential things for entries to show are date, source, and amount.

Regular statements should be required from the depository and the record of deposits shown by these statements should be verified in the cash account.

**Expenditures**

Forms needed: Warrant with stub record, and warrant register with sheet for distribution of costs.

Methods: The system of paying by the use of warrant and check is not recommended. A single warrant signed by all
three members of the board fulfills all of the legal requirements and reduces the amount of writing, posting, and checking. The warrant book should contain a stub record and both warrant and stub record should show by code the same distribution of costs as that which appears on the regular distribution sheet. In accordance with custom the warrant book should be kept by the clerk of the board.

The warrant should be recorded in the warrant register at the time it is issued. This book is to be kept by the treasurer. It should combine a simple register with a distribution sheet. The headings on the distribution sheet should be the same as the costs under the term Expenditures in the annual report, namely, General Control, Instruction, Operation, Maintenance, New Outlays, Debt Service, Transportation, and Miscellaneous. The warrant register proper should show the serial number of the warrant, the date issued, the payee, and the face. The combined record is self-proving because the sums of the columns on the distribution sheet must equal the total of the faces of the warrants. This proof is to be made whenever it becomes necessary to begin a new page. When bank statements are received the canceled warrants are again checked with the entries.

The cash account should serve as a constant check upon expenditures. For this reason there is a great advantage in having the cash account in the same book as the warrant register. If it should become necessary to borrow money a registered warrant should be issued for the amount. This reg-
istered warrant should not be numbered in the series and should be registered apart from the regular warrants. The money borrowed should be posted to the cash account and drawn upon by the regular warrants. This makes it possible to continue to record all expenditures consecutively by the same series of warrants. Any warrants that have been issued but have not been cashed at the close of the year can be ascertained quickly by checking the entries in the register. Their amounts can then be deducted from the proper columns in order to prove cash on hand.

**History of financial transactions.**

Forms needed: Requisition or purchase order; voucher jacket; invoices and statements from creditors; inventory forms for supplies, equipment, building, bonds, and insurance.

Methods: The history of a simple financial transaction should include the original purchase order, for example, the invoice or statement of amount due, and the canceled warrant. The invoice should always be checked with the purchase order. When payment has been made the invoice or statement should be marked by code so as to refer to the warrant which was given in payment. A very convenient form for this purpose is the voucher jacket, into which the statement can be placed for permanent filing. This shows the regular distribution in code on the outside and contains a place for the serial number to refer to the warrant. If desired the warrant and statement can thus be brought together on short notice for comparison, or they can be filed together.
It is strongly recommended that every school make inventories of its property and keep the same on file for the purpose of making valid reports on property valuations. In making these inventories great care should be taken to distinguish between equipment and supplies. In a comprehensive state system of accounting there would be standardized lists of articles to be classed as equipment and others to be classed as supplies. The difference is important in accounting because equipment is usually charged to new outlays and supplies to one of the other functions.

It is also recommended that every school make an inventory of bonds and of insurance and keep them on file for reference. Appropriate stock forms for this purpose can be obtained from supply houses. A complete record of other significant information will include cumulative record of assessed valuation of the school district, yearly tax rates, the official map of the district, and other items necessary to a working knowledge of a school system.

Budgets

Forms needed: Form 42E, furnished by the state; local form with more details.

Methods: The state form has been devised to fulfill the requirements of the law and omits some items that are essential to a systematic budget statement. A uniform blank should be devised for a more complete statement and this should be used for budgetary control throughout the year. Systematic budgetary control makes it necessary to show the
amounts allotted to different costs on the distribution sheet in the warrant register in order that these amounts may not be exceeded. The budget therefore should always be made with reference to the headings upon which expenditures will have to be reported at the close of the fiscal year. The state form requires reports on amounts raised each year. The complete budget statement will include the amount spent as well as the amount to be raised. Until the state form is improved in this respect a form should be devised to supplement it for local budgeting purposes.

**Unit costs**

No forms recommended.

The study of unit costs is a refinement of accounting that must necessarily depend upon the efficiency with which the more fundamental functions are fulfilled. In fact, terminology must be defined and agreed upon, and uniform records put into use to meet all of the other functions of accounting before unit costs are possible. For the purpose of being able to give the data on tuition costs on the annual report, even with approximate exactness, the definition of current costs will have to be agreed upon and a formula set up that will require uniform computation.

There is a special phase of unit cost accounting now being emphasized. Reference is made to the Report on School Transportation shown on Form 18K, Exhibit G in the appendix. This report was not required of rural high schools prior to 1932. This is a good illustration of the necessity of being
Prepared in advance to supply information. It is a simple matter to call for information, in a single line, that it would take a year to collect. Particular attention is called to items 11 and 15 on the form mentioned. If we grant that this information is being collected for some useful purpose we have to admit that unreliable data will not be satisfactory. Only by careful advance preparation and collection of pertinent facts, from the beginning of a fiscal year, can such a question as item 15 be answered correctly.

Financial Statements

Forms needed: Form 18F and a statement to show the combined record of funds handled by the county treasurer and the district treasurer.

Methods: If the recommendations as to the other functions of accounting are put into effect the matter of making an accurate and complete financial statement will be only a matter of transferring data from the appropriate records to the items on the annual report. The distribution sheet in the warrant register should always be checked when the totals are forwarded from one page to the next. The final sums on the last page that is used during the fiscal year will contain all of the essential information concerning expenditures. The property inventories that are kept and revised periodically will supply property valuations. The cumulative record of district valuations, tax rates, etc., will be at hand to supply that kind of information.
Even the debt service can be ascertained by reference to adequate records.

**Other business methods**

The practice of having regular business meetings is fundamental and should be continued. Written minutes should always be kept of all transactions and decisions. Notes as to unfinished business should be a part of the minutes in order to promote continuity and consistency in the work of administration. The principal should be held responsible for carrying out all of the decisions of the board relative to the business of the school and should always be present at board meetings. A re-definition of legislative and executive relationships would be quite wholesome in a number of schools in order to be consistent with the principle of unit organization and administration.

It is also essential to a good system of accounting that all records be kept together, preferably in a burglar-proof, fire-proof vault or safe in the schoolhouse. It is also of great importance that all of the work of recording be done carefully and promptly by the proper persons in charge. Delay in posting, classification of expenditures, and checking of entries increases the chances for mistakes.

Consideration of significant facts discovered in connection with this study should tend to increase the dignity of the school business represented by these schools and serve to magnify the importance of the duties of principals and school board members. The aggregate amounts of money spent yearly
as shown in Tables II and VIII, the value of property as indicated in Table VI, are of peculiar interest to the taxpayer and when he finally demands a full accounting, which seems imminent at this time, the value of accurate and systematic accounting will be doubly realized.

* * * * * * * * * * *

PROBLEMS ASSOCIATED WITH THIS STUDY

The following topics suggest many problems that are closely associated with this study in financial accounting.

A set of blank forms and documents in accounting and a handbook of instruction to accompany the same.

Accounting for extra-curricular funds.

Maintenance of school buildings.

Purchasing, storing, and accounting for supplies.

A uniform salary schedule for high school teachers in Reno County.

Training of school board members in service.

Training of janitors in service.

A practical scheme for eliminating certain small high schools in Reno County.

School costs incidental to curricular and extra-curricular school work, which are borne by the students or their families.

A study of the educational offerings of these high schools.

2. Ibid., sections 136 to 139, inclusive.
BIBLIOGRAPHY


4. Annual Reports of Rural High Schools, Districts No.'s 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, and 11, Reno County, Kansas, as filed in Office of County Superintendent of Public Instruction, Hutchinson, Kansas.

5. Annual Reports of County Superintendent to the Department of Education. Duplicates of reports from Reno County for the years 1915 to 1931, inclusive, filed in Office of County Superintendent of Public Instruction, Hutchinson, Kansas.


7. Distribution Ledger of County Treasurer of Reno County, Hutchinson, Kansas, General Funds and Bond Funds of Rural High Schools for 1930-1931-1932.


16. Orr, Lawrence, F. : A Handbook of Instructions for Uniform Accounting System for Schools, Cities and Towns, issued by the State Board of Accounts in Indiana in collaborations with the State Department of Public Instruction. Wm. E. Burford, Contractor for State Printing and Binding. Indianapolis, 1926.


## APPENDIX

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Check Sheet Used in Interviews</td>
<td>i</td>
</tr>
<tr>
<td>B</td>
<td>Principal's Annual Report, Form 18 F</td>
<td>v</td>
</tr>
<tr>
<td>C</td>
<td>District Treasurer's Receipt</td>
<td>vii</td>
</tr>
<tr>
<td>D</td>
<td>Rural High School Warrant</td>
<td>vii</td>
</tr>
<tr>
<td>E</td>
<td>Notice of Annual Meeting, Form 42 E</td>
<td>viii</td>
</tr>
<tr>
<td>F</td>
<td>Certificate of Levy, Form 11 A</td>
<td>ix</td>
</tr>
<tr>
<td>G</td>
<td>Clerk's Annual Report, Form 18 K</td>
<td>x</td>
</tr>
</tbody>
</table>
CHECK SHEET FOR USE DURING INTERVIEWS WITH PRINCIPALS.

Problem: FINANCIAL ACCOUNTING IN ELEVEN RURAL HIGH SCHOOLS IN RENO COUNTY, KANSAS.

Methods and practices in raising money for school purposes.

A. Making the budget

1. Is a formal budget made each year?  
2. In the budget is there a statement as to the amount raised during the previous year?  
3. Is there a statement of the amount spent, same time?  
4. Are the proposed expenditures itemized as to functions as required in the annual reports to the state?  
5. Is the income from separate funds estimated?  
6. Is allowance made in calling for the total amount, for a surplus from which to pay current expenses pending the receipt of taxes at the beginning of the year?  
7. Is the legal tax rate limit a first consideration in making the budget?  

B. Teachers' salaries in budget making.

1. Does the school have a regular salary schedule?  
2. Check means by which salaries are determined:
   a. general knowledge of what is paid elsewhere.
   b. arbitrary sum set by the board.
   c. bargaining with candidates.
   d. competitive bids.

C. Janitor's salary. Check means same as in 2.d.

1. a. b. c. d.  
2. Is janitor expected to do part of maintenance work?  
3. If so, is a proportional part of his salary charged to maintenance?  

D. Check forms of money depended upon to meet the budget:

a. General property tax.  
c. Tuition from mother schools.  
d. Student fees for instructional supplies.  
e. Proceeds from sale of instructional supplies.  
f. Proceeds from school events.

E. Borrowing money.

1. Does the last financial report for a fiscal year show outstanding warrants?  
2. Has it been customary to borrow money for current expenses pending the receipt of taxes?
Methods and practices in spending money.

A. General business methods.

1. Does the board have regular business meetings? Yes No
2. Are written minutes kept of proceedings? Yes No
3. If so, who keeps them? P D C T Check which Yes No
4. Are expenditures formally approved in meetings? Yes No
5. Are expenditures permitted by any arrangement between business meetings? Yes No

Note:
6. Are all bills against the school district collected by one person for presentation to the board? Yes No

Check: P D C T

7. In charge accounts does the board insist upon a uniform name to which all items shall be charged? Yes No
8. Does the board adhere to a time limit within which accounts shall be settled? i.e. W/10, W/30, etc. Yes No
9. To what extent does the budget operate as a control? Yes No
   a. Are transfers made from one fund to another? Yes No
   b. Is there a revolving or contingency fund? Yes No
   c. During the past five years has the budget been exceeded i.e. have expenditures been more than proposed for any year? Yes No

B. Handling the pay roll.

1. Pay roll is made up from memory, written record. Check which
2. Teachers are paid on basis of 9, 10, 11, 12 months! Check which
3. Janitor get pay on 9, 10, 11, 12, months' basis. Check which
4. Are teachers allowed time off for sickness? Yes No

Note:

C. Buying supplies and equipment.

1. Check persons who may buy articles and charge the same to the school. Prin., D. C. T. Janitor, Teachers. Yes No
2. It there any limit placed upon the amount or nature of the articles bought? Yes No

Note:

3. Are competitive bids ever used in buying supplies or equipment in large quantities? Yes No

Note:

4. Are yearly estimates required by the board for supplies and equipment that will be needed for the following year? Yes No

5. Are written requisitions used in connection with local purchases? Yes No

6. Does the school use a standard list of supplies for the janitor? i.e. Has it standardized its supplies, or does it experiment from time to time with different materials? Yes No

7. Does it have definite policies with respect to instructional supplies to which it adheres consistently? Yes No

8. Does the school have a store room for supplies? Yes No

9. Is there a store room or stock record kept of supplies bought during each year? Yes No
Procedures and form used in accounting for finances.

A. Receipts.
1. Are records kept of amounts drawn from county treasury? Yes No
   If so, in what form?
2. Are receipts classified as to source?
3. Are receipt blanks used in connection with minor funds? Yes No
4. Who keeps the record of receipts? P D C T Check which

B. Expenditures.
1. Are current bills listed in writing for each business meeting? Yes No
2. Are original invoices or statements kept on file?
3. Are purchase orders or requisitions kept? Yes No
4. Who keeps them, is they are kept? P D C T
5. Are invoices or statements kept on file?
6. Who keeps them? P D C T
7. Does the record of expenditures include a distribution sheet? Yes No

C. Classification of bills according to function.
1. Who classifies bills for distribution as to function? P D C T
2. Are the headings on the distribution sheet the same as those under Expenditures in the annual report? Yes No
3. Are parts of the same bill ever allocated under different headings? Yes No
4. Check the time at which the classification is made.
   a. At the time of purchase.
   b. At the time of payment.
   c. At irregular intervals.
   d. When the annual report is made.
5. Check means by which the classification is recorded.
   a. Notation made on statement or invoice.
   b. , , , , warrant or check given in payment.
   c. , , , , stub of warrant or check.
   d. , , , , in minutes of board meeting.
   e. Classification recorded only in annual report.
   f. Voucher system is used.
6. Is the classification made by code so that it could be verified later by an auditor? Yes No
7. In classification what criteria are used?
   a. Those shown on the annual report.
   b. Common sense.
   c. A textbook or handbook of instructions.
   d. Standard lists of supplied and equipment.

D. Inventories.
1. Are property inventories kept? Yes No
2. Underscore person who keeps them. P D C T
3. Is there a distinction made between supplies and equipment? Yes No
4. Is there an accession record of books? Yes No
5. Is there an inventory of bonds? Yes No
6. Is there an inventory of insurance? Yes No

E. Financial reports.
1. Are data accumulative on receipts and expenditures? Yes No
2. Can the amounts for the functions on the distribution sheet be found readily? Yes No
F. Forms and books of record.

1. Enumerate here all blanks and books of record that are used by the school, for receiving money, cash accounts, paying money, purchases, inventories, payrolls, etc., etc.

2. Are records kept in such a way as to make it possible to assemble a complete record of financial transactions? Yes No

3. Are entries in separate books of record marked by code so as to refer to one another? Yes No

4. Are original documents kept systematically on file? Yes No

5. Where are records kept? Underscore or check.
   a. School office?
   b. Home or office of the clerk?
   c. Home or office of the treasurer?
   d. Home or office of the director?
   e. All in one place or separately?
   f. Are they in a fireproof vault or safe?

G. Describe the division of legislative and executive duties between the board and the principal with respect to financial administration. Is the administration of the unit type or multiple type?
# STATE OF KANSAS—DEPARTMENT OF EDUCATION

## RURAL HIGH SCHOOL

### District No. ..........

### PRINCIPAL’S ANNUAL REPORT

**County**

**LOCATED AT**

Kansas

**For the Year ending June 30, 193**

---

<table>
<thead>
<tr>
<th>1. Number of different pupils enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) White: Males; females; total</td>
</tr>
<tr>
<td>(2) Colored: Males; females; total</td>
</tr>
<tr>
<td>(3) Totals: Males; females; total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Total attendance in days.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) White: Males; females; total</td>
</tr>
<tr>
<td>(2) Colored: Males; females; total</td>
</tr>
<tr>
<td>(3) Totals: Males; females; total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Average daily attendance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) White: Males; females; total</td>
</tr>
<tr>
<td>(2) Colored: Males; females; total</td>
</tr>
<tr>
<td>(3) Totals: Males; females; total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Number cases of tardiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number not absent; Number not tardy</td>
</tr>
<tr>
<td>Number neither absent nor tardy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. Number of nonresident pupils</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males; females; total</td>
</tr>
</tbody>
</table>

---

Note.—Three copies of this report are to be made by the principal of the rural high school, one of which should be filed in his office, one filed with the clerk of the rural high-school district, and the other sent to county superintendent.

Geo. A. Allen, Jr., State Superintendent.
REPORT ON SCHOOL TRANSPORTATION

A. Compensation to Parents or Guardians:
1. Total amount paid to parents or guardians for transporting their own children. $ 
2. Total number of pupils for whom compensation was thus paid. 
3. Average distance from home to school these pupils were transported. 

B. Transportation by School District:
4. Number of district-owned buses. 
5. Number of other vehicles owned by district. 
6. Value of school-owned equipment for transportation. 
7. Number of drivers employed by district. 
8. Number of students used as drivers. 
9. Number of teachers used as drivers. 
10. Number of routes operated by district. 
11. Average length of these routes. 
12. Total number of different pupils transported to and from this school. 
13. Total number of pupil-miles of school transportation this year. 
14. Total amount of salary paid drivers. 
15. Total amount of other expenses of school transportation. 

C. Summary of Above Data:
16. Total cost of school transportation. 
17. Average cost per pupil-mile of school transportation. 

Note.—This report on School Transportation must form a part of the annual Report of Clerks of all School Districts.
Exhibit C: School District Treasurer's Receipt

Exhibit D: Rural High School Warrant in common use.
NOTICE OF ANNUAL SCHOOL MEETING

The Annual Meeting of Rural High School District No.________________________

County of_____________________, State of Kansas, will be

held at the Schoolhouse of the District,

Thursday, April_________, 193____, at 2 o'clock, p. m.

Dated this__________ day of__________, 193____

(Signed)______________________________
Rural High School District Clerk.

Proposed Rural High School District Budget for Next Fiscal Year, 193____-193____

RECEIPTS OF LAST (CURRENT) FISCAL YEAR

1. Balance in hands of District Treasurer July 1, 193____ (last year) $__________

2. Amount received from district taxes $__________

3. Amount received from state and county school funds $__________

4. Amount received from sale of school bonds $__________

5. Amount received from tuition $__________

6. Amount received from all other sources $__________

7. Total amount received during the year for school purposes $__________

<table>
<thead>
<tr>
<th>PROPOSED BUDGET OF EXPENDITURES FOR 193____-193____ (NEXT YEAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amounts</strong></td>
</tr>
</tbody>
</table>

8. For expenses of general control $__________

9. For cost of Instruction $__________

a. Salaries of teachers and principals
b. Cost of teaching supplies, and tuition.

10. For cost of operation of school $__________

For cost of janitor service, fuel, light, water, telephone, etc.

11. For cost of maintenance of school plant $__________

For cost of repair of buildings, and repair and replacement of equipment and insurance.

12. For new outlays $__________

13. For cost of debt service $__________

For all amounts paid as principal and interest on bonds and all borrowed money.

14. For cost of pupil transportation $__________

15. For miscellaneous expenses $__________

All expenses not mentioned under above heads.

16. Total amount of proposed expenditures $__________

I hereby certify that the above is a correct copy of the Budget proposed by the Rural High School District Board for posting with this notice.

(Signed)______________________________
Rural High School District Clerk.
STATE OF KANSAS

DEPARTMENT OF EDUCATION

CERTIFICATE OF LEVY VOTED BY RURAL HIGH-SCHOOL DISTRICT BOARD

To the County Commissioners of...................................................County, Kansas:

I HEREBY CERTIFY, That at a meeting of the Rural High-school District Board of Rural High-school District No........................, County of................................., Kansas, duly held on the...............day of........................................... , 19....., it was voted to levy on the taxable property of said rural high-school district for the general expenses a levy of.........................mills.

By order of the Rural High-school District Board.

(Signed).................................................................

Clerk of Rural High-school District Board.

Address.................................................................................

Dated this..............................day of.............................., 19.....

Notes.—This levy must not exceed six mills on the dollar of valuation on all taxable property in the rural high-school district.

In counties with population below 8,000, levy may be eight mills.

See sec. 520, Revised School Laws, 1927.

 Geo. A. Allen, Jr., State Superintendent.
CERTIFICATE OF LEVY VOTED

FOR

Rural High-school District No.---------------------

County of--------------------------------------, Kansas

For the year------------------------

LEVY VOTED FOR

General Expenses ........................................... mills

Filed this............day of............................., 19......

County Clerk.

Note.—This report must be properly filled out and filed with the County Clerk, on or before the 25th day of July.

Joint districts must send a copy of this report to the County Clerk of each county in which the district is situated on or before the 25th day of July.

The failure to make this report as provided by law renders the District Clerk liable to a fine of "not less than fifty dollars." (Sec. 346, School Laws 1927.)

13-1969
STATE OF KANSAS—DEPARTMENT OF EDUCATION

CLERK'S ANNUAL REPORT

RURAL HIGH-SCHOOL DISTRICT No.__________________________
County, Located at______________________________________, Kansas

For the Year Ending June 30, 193___

1. Number of months of school...................................................
2. Number of high-school teachers, excluding the principal, males________________; females________________; total___________
3. Number of high-school teachers employed who have had no previous experience as teachers...
4. Name of high-school principal last year.................................
5. Name of high-school principal for ensuing year, if known....
6. Annual salary of high-school principal, year just closed...........
7. Average monthly salary of teachers, excluding principal, males $__________; females $__________; total $__________
8. Total current expenses ...................................................... $___________
9. Cost of tuition per pupil per month, on enrollment, $________; on average daily attendance, $________
10. Average enrollment per teacher _____________________________; average daily attendance per teacher __________
11. Number of graduates the past year, males ____________; females ____________; total _________
12. Valuation of school buildings and grounds, $_________; school furniture and apparatus, $_________; total $__________
13. Taxable valuation of district, tangible, $__________; intangible, $__________; total, $________
14. Total levy in mills_____________________________; in dollars __________________________
15. Number of school buildings__________________________; schoolhouses
16. Number of school buildings erected during the year____________; Cost of same, $________
17. Number of volumes in school library______________________; number added during past year______; number from reading-circle list_____

REPORT ON SCHOOL TRANSPORTATION

A. Compensation to Parents or Guardians
1. Total amount paid to parents or guardians for transporting their own children $________
2. Total number of pupils for whom compensation was thus paid________________________
3. Average distance from home to school these pupils were transported _______

B. Transportation by School District
4. Number of district-owned busses__________________________
5. Number of other vehicles owned by district________________
6. Value of school-owned equipment for transportation________
7. Number of drivers employed by district____________________
8. Number of students used as drivers________________________; teachers used as drivers________
9. Number of routes operated by district_____________________; average length _______
10. Total number of different pupils transported to and from this school_______________
11. Total number of pupil-miles of school transportation this year ________
12. Total amount of salary paid drivers________________________
13. Total amount of other expense of school transportation________
14. Total cost of school transportation (See 12 and 13 above)________
15. Average cost per pupil-miles of school transportation________

NOTES.—Two copies of this report are to be made by the clerk of the rural high-school district, one of which should be filed in his office, and the other sent to county superintendent. This report on School Transportation must form a part of the annual report of clerks of all rural high-school districts.

Geo. A. Allen, Jr., State Superintendent.
**RECEIPTS**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>1. Balance in hands of District Treasurer July 1, 193</td>
<td>$</td>
</tr>
<tr>
<td>2. Amount received from district taxes</td>
<td>$</td>
</tr>
<tr>
<td>3. Amount received from state school funds</td>
<td>$</td>
</tr>
<tr>
<td>4. Amount received from the sale of school bonds</td>
<td>$</td>
</tr>
<tr>
<td>5. Amount received from tuition</td>
<td>$</td>
</tr>
<tr>
<td>6. Amount received from all other sources</td>
<td>$</td>
</tr>
<tr>
<td>7. Total amount received during the year for school purposes</td>
<td>$</td>
</tr>
</tbody>
</table>

**EXPENDITURES**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Expenses of general control</td>
<td>$</td>
</tr>
<tr>
<td>9. Cost of Instruction</td>
<td>$</td>
</tr>
<tr>
<td>10. Cost of operation of school</td>
<td>$</td>
</tr>
<tr>
<td>11. Cost of maintenance of school plant</td>
<td>$</td>
</tr>
<tr>
<td>12. New outlays</td>
<td>$</td>
</tr>
<tr>
<td>13. Cost of repairs of buildings and replacement of equipment and insurance</td>
<td>$</td>
</tr>
<tr>
<td>14. Cost of pupil transportation</td>
<td>$</td>
</tr>
<tr>
<td>15. Miscellaneous expenses</td>
<td>$</td>
</tr>
<tr>
<td>16. Total amount paid out for school purposes</td>
<td>$</td>
</tr>
<tr>
<td>17. Balance in hands of district treasurer, June 30, 193</td>
<td>$</td>
</tr>
<tr>
<td>18. Total receipts and expenditures balanced</td>
<td>$</td>
</tr>
<tr>
<td>19. Outstanding warrants (amount)</td>
<td>$</td>
</tr>
</tbody>
</table>

**MISCELLANEOUS**

1. Area high-school district: __________ square miles.
2. Census, pupils eligible to high school: ____________________________
3. Greatest need, at present, of high-school district: ________________
4. General attitude of patrons toward consolidation of rural elementary schools in rural high-school area: ____________________________

**LIST OF TEACHERS EMPLOYED**

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

**RURAL HIGH-SCHOOL DISTRICT BOARD**

<table>
<thead>
<tr>
<th>Term expires</th>
</tr>
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<tbody>
<tr>
<td>192</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Director</th>
<th>Address</th>
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</thead>
<tbody>
<tr>
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<table>
<thead>
<tr>
<th>Clerk</th>
<th>Address</th>
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</thead>
<tbody>
<tr>
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</table>

<table>
<thead>
<tr>
<th>Treasurer</th>
<th>Address</th>
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</thead>
<tbody>
<tr>
<td></td>
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</table>