

**UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS**

Statutory Basis Financial Statements and
Independent Auditors' Report with
Supplemental Information and
Federal Compliance Section

For the Fiscal Year Ended June 30, 2011

**ERIE UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS**

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**ERIE UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS**

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Diehl Banwart Bolton

Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Unified School District #101
Erie, Kansas 66733

We have audited the accompanying financial statements of the Unified School District #101, Erie, Kansas, as of June 30, 2011, and for the fiscal year then ended, as listed in the Table of Contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative information for the fiscal year ended June 30, 2010, has been derived from the District's 2010 financial statements and in our report dated January 10, 2011, we expressed an unqualified opinion on the primary government financial statements prepared in accordance with the statutory basis of accounting.

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

As described in Note 1, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting practices generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District #101, Erie, Kansas, as of June 30, 2011, or the results of its operations, for the fiscal year then ended. Further, the District has not presented management's discussion and analysis that has been determined under accounting principles generally accepted in the United States as necessary to supplement, although not required to be a part of, the basic financial statements.

Board of Education
Unified School District #101
Erie, Kansas

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District #101, Erie, Kansas, as of June 30, 2011, and its cash receipts, expenditures, and expenditures compared to budget, for the year then ended, on the basis of accounting described in Note 1.

In accordance with **Government Auditing Standards**, we have also issued reports dated November 21, 2011 on our consideration of the District's internal control structure and on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the District. The accompanying Schedule of Expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds taken as a whole.

Diehl Banwart Bolton CPA's PA

DIEHL, BANWART, BOLTON, CPAs P.A.

November 21, 2011
Pittsburg, Kansas

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS

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

Funds	Cancelled		Cash Receipts	Expenditures	Ending		Cash Balances	
	Beginning Unencumbered Cash Balances	Prior Year Encumbrances			Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	2011	June 30, 2010
GOVERNMENTAL TYPE FUNDS								
General Fund	(\$140,062)	-	\$4,505,975	\$4,656,784	(\$290,871)	\$76,884	(\$213,987)	(\$303)
Special Revenue Funds								
Supplemental General	41,014	-	1,491,143	1,428,500	103,658	47,172	150,830	136,301
4 Yr Old At Risk	400	-	44,375	44,081	694	-	694	3,140
K - 12 At Risk	21,796	-	539,869	539,771	21,894	-	21,894	21,796
Bilingual Education	-	-	1,969	1,969	-	-	-	-
Capital Outlay	3,031,571	-	208,395	1,851,311	1,388,655	860,887	2,249,542	3,031,571
Driver Education	33,697	-	10,764	10,477	33,983	125	34,108	35,397
Food Service	110,954	-	381,005	380,148	111,811	11,757	123,568	119,704
Inservice Education	38,786	-	20,000	17,626	41,160	120	41,280	38,786
Special Education	199,962	-	1,026,611	906,509	320,064	293	320,357	386,570
Vocational Education	8,308	-	197,786	184,889	21,205	-	21,205	10,308
KPERS Special Retirement	-	-	181,214	181,214	-	-	-	-
Contingency Reserve	346,762	-	51,868	-	398,630	-	398,630	346,762
Textbook Rental	160,896	-	10,300	26,295	144,901	3,208	148,109	160,896
21st Century Community Learning Center	7,058	-	-	-	7,058	-	7,058	7,058
Title I	(58,642)	-	234,359	175,717	-	-	-	(49,991)
REAP Grant	-	-	6,437	6,437	-	-	-	-
Title II-A Teacher Quality	(13,217)	-	60,258	47,041	-	4,750	4,750	(13,217)
Title II-D Education Technology	(1,243)	-	1,708	465	-	465	465	2,879
School Preparedness	750	-	-	750	-	-	-	750
Mini-Grant	19,670	-	-	-	19,670	-	19,670	19,670
Character Education	-	-	1,000	1,000	-	1,000	1,000	-
Private Grants	43,024	-	57,640	29,578	71,086	3,606	74,692	43,024
Capital Project	-	901,743	-	880,000	21,743	-	21,743	4,246,477
District Activity Funds	32,916	-	52,514	50,480	34,951	-	34,951	32,916
Debt Service Fund								
Bond and Interest	637,239	-	1,505,677	1,263,846	879,070	-	879,070	637,239
Total Reporting Entity	\$4,521,640	\$901,743	\$10,590,866	\$12,684,888	\$3,329,361	\$1,010,267	\$4,339,628	\$9,217,735

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

Statement 1 (Continued)

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS

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

	Cash Balances	
	June 30,	
	2011	2010
Composition of Cash		
Checking Accounts.....	\$3,448,439	\$4,985,613
Activity Checking Accounts.....	114,287	99,138
Investment Accounts.....	693,204	4,035,530
Municipal Investment Pool.....	160,403	160,403
Total Cash	4,416,333	9,280,684
Agency Funds per Statement 4	(76,705)	(62,950)
Total Reporting Entity.....	\$4,339,628	\$9,217,734

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS

Summary of Expenditures - Actual and Budget (Budgeted Funds Only)
For the Fiscal Year Ended June 30, 2011

Funds	Certified Budget	Adjustment to Comply with Legal Maximum	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures		Variance - Favorable (Unfavorable)
					Charged to Current Year Budget	Current Year Budget	
GOVERNMENTAL TYPE FUNDS							
General Fund	\$4,742,184	(\$89,437)	\$4,037	\$4,656,784	\$4,656,784	-	-
Special Revenue Funds							
Supplemental General	1,428,500	-	-	1,428,500	1,428,500	-	-
4 Yr Old At Risk	44,401	-	-	44,401	44,081	320	320
K -12 At Risk	540,003	-	-	540,003	539,771	232	232
Bilingual Education	2,500	-	-	2,500	1,969	531	531
Capital Outlay	2,440,000	-	-	2,440,000	1,851,311	588,689	588,689
Driver Education	23,000	-	-	23,000	10,477	12,523	12,523
Food Service	459,200	-	-	459,200	380,148	79,052	79,052
Inservice Education	31,612	-	-	31,612	17,626	13,986	13,986
Special Education	1,067,161	-	-	1,067,161	906,509	160,652	160,652
Vocational Education	194,000	-	-	194,000	184,889	9,111	9,111
KPERS Special Retirement	288,600	-	-	288,600	181,214	107,386	107,386
Debt Service Funds							
Bond and Interest	1,263,948	-	-	1,263,948	1,263,846	102	102
	<u>\$12,525,109</u>						

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
GENERAL FUND

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$936,149	\$583,603	\$545,459	\$38,144
Delinquent tax	10,096	5,796	11,702	(5,906)
Mineral tax	22,495	53,248	-	53,248
Other	3,559	4,037	-	4,037
State Sources				
General aid	2,572,818	2,971,212	3,432,003	(460,791)
Special ed aid	915,140	676,271	675,100	1,171
Federal Sources				
Education Jobs Fund	-	134,815	-	134,815
ARRA Stabilization	224,127	76,993	76,993	-
Total Cash Receipts	4,684,384	4,505,975	\$4,741,257	(\$370,097)
Expenditures				
Instruction	1,889,885	1,889,002	\$1,891,882	\$2,880
Support Services				
Student Support	99,581	77,988	95,700	17,712
Instructional Support	168,818	153,425	248,802	95,377
General Administration	184,323	268,933	183,200	(85,733)
School Administration	246,110	311,875	334,500	22,625
Operations and Maintenance	245,870	329,892	309,700	(20,192)
Transportation	316,258	313,833	330,000	16,167
Other Supplemental Service	192,391	-	130,900	130,900
Operating transfers to:				
Special Education	597,849	715,100	677,500	(37,600)
Capital Outlay	-	-	-	-
Driver Education	-	5,000	-	(5,000)
K-12 At Risk	520,000	539,869	540,000	131
Contingency Reserve	60,000	51,868	-	(51,868)
Adjustments to Budget For:				
Legal Max Budget Adjustment	-	-	(89,437)	(89,437)
Reimbursed Expenses	-	-	4,037	4,037
Total Expenditures	4,521,085	4,656,784	\$4,656,784	-
Subject to Budget				
Receipts Over (Under) Expenditures	163,298	(150,809)		
Unencumbered Cash, Beginning	(303,360)	(140,062)		
Prior Year Cancelled Encumbrance	-	-		
Unencumbered Cash, Ending	(\$140,062)	(\$290,871)		

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

UNIFIED SCHOOL DISTRICT #101

ERIE, KANSAS

SUPPLEMENTAL GENERAL FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem	\$980,833	\$1,356,806	\$1,255,487	\$101,319
Delinquent tax	12,514	8,182	12,472	(4,290)
Motor vehicle tax	95,108	60,520	53,424	7,096
State Sources				
Supplemental aid	288,297	65,635	7,491	58,144
Federal Sources				
ARRA Stabilization	76,099	-	-	-
Total Cash Receipts	1,452,851	1,491,143	\$1,328,874	\$162,269
Expenditures				
Instruction	250,501	130,085	\$271,700	\$141,615
Support Services				
Student Support	-	-	-	-
Instructional Support	52,842	62,667	35,000	(27,667)
General Administration	52,641	85,348	62,000	(23,348)
School Administration	29,291	41,284	34,000	(7,284)
Operations & Maintenance	304,343	329,226	286,700	(42,526)
Transportation	91,960	115,545	110,100	(5,445)
Other Supplemental Service	-	-	-	-
Operating Transfers to Other Funds				
Inservice	14,300	20,000	-	(20,000)
Food Service	114,000	118,000	105,000	(13,000)
Special Education	367,348	288,000	288,000	-
Bilingual Education	2,408	1,969	2,500	531
Drivers Education	-	-	-	-
4 Yr Old At Risk	34,101	44,375	44,500	125
K - 12 At Risk	-	-	-	-
Vocational Education	177,000	192,000	189,000	(3,000)
Total Expenditures Subject to Budget	1,490,735	1,428,500	\$1,428,500	-
Receipts Over (Under) Expenditures	(37,884)	62,643		
Unencumbered Cash, Beginning	78,898	41,014		
Unencumbered Cash, Ending	\$41,014	\$103,658		

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

UNIFIED SCHOOL DISTRICT #101

ERIE, KANSAS

4 YEAR OLD AT RISK FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Interest	-	-	-	-
Operating Transfers from Other Funds				
General	-	-	-	-
Supplemental General	34,101	44,375	44,500	(125)
Total Cash Receipts	34,101	44,375	\$44,500	(\$125)
Expenditures				
Instruction	33,701	44,081	\$44,401	\$320
Total Expenditures	33,701	44,081	\$44,401	\$320
Receipts Over (Under) Expenditures	400	294		
Unencumbered Cash, Beginning	-	400		
Unencumbered Cash, Ending	\$400	\$694		

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
K - 12 AT RISK FUND

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Miscellaneous	-	-	-	-
Operating Transfers from Other Funds				
General	520,000	539,869	540,000	(131)
Supplemental General	-	-	-	-
Total Cash Receipts	520,000	539,869	\$540,000	(\$131)
Expenditures				
Instruction	500,796	539,771	\$540,003	\$232
School Administration	-	-	-	-
Operations and Maintenance	-	-	-	-
Total Expenditures	500,796	539,771	\$540,003	\$232
Receipts Over (Under) Expenditures	19,204	98		
Unencumbered Cash, Beginning	2,592	21,796		
Unencumbered Cash, Ending	\$21,796	\$21,894		

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
BILINGUAL EDUCATION FUND

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	-	-	-	-
Operating Transfers from Other Funds				
General	-	-	-	-
Supplemental General	2,408	1,969	2,500	(531)
Total Cash Receipts	2,408	1,969	\$2,500	(\$531)
Expenditures				
Community Service Operations	2,408	1,969	\$2,500	\$531
Total Expenditures	2,408	1,969	\$2,500	\$531
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	-	-		

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
CAPITAL OUTLAY FUND

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	-	-	-	-
Delinquent tax	1,019	602	-	602
Motor vehicle tax	16,640	164	-	164
Interest on idle funds	15,640	10,048	-	10,048
Other	12,982	197,581	-	197,581
State Sources				
State Aid	-	-	-	-
Operating Transfer from General Fund	-	-	-	-
Total Cash Receipts	46,281	208,395	-	\$208,395
Expenditures				
Instruction	12,497	13,363	\$200,000	\$186,637
Support Services				
Instructional Support	1,590	83,425	100,000	16,575
Operations & Maintenance	-	5,636	70,000	64,364
Transportation	31,500	-	100,000	100,000
Facility Acquisition and Construction Services	62,584	1,748,887	1,970,000	221,113
Operating Transfers to Transportation Fund	-	-	-	-
Total Expenditures	108,171	1,851,311	\$2,440,000	\$588,689
Receipts Over (Under) Expenditures	(61,891)	(1,642,916)		
Unencumbered Cash, Beginning	3,093,462	3,031,571		
Unencumbered Cash, Ending	<u>\$3,031,571</u>	<u>\$1,388,655</u>		

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
DRIVER EDUCATION FUND

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	\$3,600	\$3,100	-	\$3,100
State Sources				
State aid	1,750	2,664	2,800	(136)
Operating Transfer from General Fund	-	5,000	-	5,000
Supplemental General Fund	-	-	-	-
Total Cash Receipts	5,350	10,764	\$2,800	\$7,964
Expenditures				
Instruction	6,639	9,983	\$14,500	\$4,517
Support Services				
Operations and Maintenance	-	494	8,500	8,006
Student Support Services	-	-	-	-
Other Support Services	-	-	-	-
Total Expenditures	6,639	10,477	\$23,000	\$12,523
Receipts Over (Under) Expenditures	(1,289)	287		
Unencumbered Cash, Beginning	34,985	33,697		
Unencumbered Cash, Ending	\$33,697	\$33,983		

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

**UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
FOOD SERVICE FUND**

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Food Service Sales	\$85,959	\$76,949	\$104,795	(\$27,846)
Other	804	150	-	150
State Sources				
Food service aid	3,085	2,912	2,482	430
Federal Sources				
Child nutrition aid	168,891	182,994	163,730	19,264
ARRA equipment grant	6,050	-	-	-
Operating Transfer from Other Funds				
Supplemental General	114,000	118,000	105,000	13,000
Total Cash Receipts	378,791	381,005	\$376,007	\$4,998
Expenditures				
Support Services				
Operations and Maintenance	-	-	-	-
Operation of Non- Instructional Services				
Food Service Operations	370,289	380,148	459,200	79,052
Total Expenditures	370,289	380,148	\$459,200	\$79,052
Receipts Over (Under) Expenditures	8,502	857		
Unencumbered Cash, Beginning	102,453	110,954		
Unencumbered Cash, Ending	<u>\$110,954</u>	<u>\$111,811</u>		

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
INSERVICE EDUCATION FUND

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	-	-	-	-
State Sources				
State Aid	-	-	-	-
Operating Transfer from General Fund	-	-	-	-
Supplemental General	14,300	20,000	-	20,000
Total Cash Receipts	14,300	20,000	-	\$20,000
Expenditures				
Support Services				
Instructional Support Staff	12,233	17,626	\$23,112	\$5,486
Other Supplemental Service	-	-	8,500	8,500
Total Expenditures	12,233	17,626	\$31,612	\$13,986
Receipts Over (Under) Expenditures	2,067	2,374		
Unencumbered Cash, Beginning	36,720	38,786		
Unencumbered Cash, Ending	\$38,786	\$41,160		

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
SPECIAL EDUCATION FUND

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	-	\$23,511	-	\$23,511
Operating Transfers from Other Funds				
General	597,849	715,100	677,500	37,600
Supplemental General	367,348	288,000	288,000	-
Total Cash Receipts	965,197	1,026,611	\$965,500	\$61,111
Expenditures				
Instruction	927,041	790,207	\$785,061	(\$5,146)
Support Services				
Instruction Support Staff	-	-	-	-
Transportation	16,839	116,302	282,100	165,798
Total Expenditures	943,880	906,509	\$1,067,161	\$160,652
Receipts Over (Under) Expenditures	21,317	120,102		
Unencumbered Cash, Beginning	178,645	199,962		
Unencumbered Cash, Ending	\$199,962	\$320,064		

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
VOCATIONAL EDUCATION FUND

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Miscellaneous Receipts	\$3,688	\$5,786	-	\$5,786
Reimbursements	-	-	-	-
Operating Transfer from Supplemental General General Fund	177,000	192,000	189,000	3,000
	-	-	-	-
Total Cash Receipts	<u>180,688</u>	<u>197,786</u>	<u>\$189,000</u>	<u>\$8,786</u>
Expenditures				
Instruction	<u>183,218</u>	<u>184,889</u>	<u>\$194,000</u>	<u>\$9,111</u>
Total Expenditures	<u>183,218</u>	<u>184,889</u>	<u>\$194,000</u>	<u>\$9,111</u>
Receipts Over (Under) Expenditures	(2,530)	12,897		
Unencumbered Cash, Beginning	<u>10,838</u>	<u>8,308</u>		
Unencumbered Cash, Ending	<u>\$8,308</u>	<u>\$21,205</u>		

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
KPERS SPECIAL RETIREMENT FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State Sources				
State Aid	\$240,499	\$181,214	\$288,600	(\$107,386)
Total Cash Receipts	240,499	181,214	\$288,600	(\$107,386)
Expenditures				
Instruction	168,354	126,850	\$177,100	\$50,250
Student Support	8,898	6,705	6,000	(705)
Instructional Support	6,734	5,074	13,550	8,476
General Administration	8,898	6,705	6,700	(5)
School Administration	16,114	12,141	24,000	11,859
Other Supplemental Services	12,742	9,604	7,100	(2,504)
Operations & Maintenance	-	-	20,100	20,100
Transportation	11,303	8,517	23,550	15,033
Food Service	7,455	5,618	10,500	4,882
Total Expenditures	240,499	181,214	\$288,600	\$107,386
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	-	-		

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
CONTINGENCY RESERVE FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating Transfer from General Fund	\$60,000	\$51,868
Total Cash Receipts	60,000	51,868
Expenditures		
Instruction	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	60,000	51,868
Unencumbered Cash, Beginning	286,762	346,762
Unencumbered Cash, Ending	<u>\$346,762</u>	<u>\$398,630</u>

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
TEXTBOOK RENTAL FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Textbook rental	\$5,409	\$7,696
Miscellaneous	1,917	2,604
Total Cash Receipts	7,326	10,300
Expenditures		
Instruction	20,168	26,295
Total Expenditures	20,168	26,295
Receipts Over (Under) Expenditures	(12,842)	(15,995)
Unencumbered Cash, Beginning	173,738	160,896
Unencumbered Cash, Ending	<u>\$160,896</u>	<u>\$144,901</u>

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
21ST CENTURY COMMUNITY LEARNING CENTER FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Miscellaneous	-	-
Total Cash Receipts	-	-
Expenditures		
Instruction	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	7,058	7,058
Unencumbered Cash, Ending	<u>\$7,058</u>	<u>\$7,058</u>

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
TITLE I FUND

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$81,400	\$185,539
Federal aid ARRA	31,950	48,820
Total Cash Receipts	113,350	234,359
Expenditures		
Instruction	174,267	175,717
General Administration	726	-
Total Expenditures	174,992	175,717
Receipts Over (Under) Expenditures	(61,642)	58,642
Unencumbered Cash, Beginning	3,000	(58,642)
Unencumbered Cash, Ending	(\$58,642)	-

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
REAP GRANT FUND

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$9,723	\$6,437
Total Cash Receipts	9,723	6,437
Expenditures		
Insurance Premiums	9,723	6,437
Total Expenditures	9,723	6,437
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	-	-

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
TITLE II -A TEACHER QUALITY
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$33,700	\$60,258
Total Cash Receipts	33,700	60,258
Expenditures		
Instruction	46,917	47,041
Total Expenditures	46,917	47,041
Receipts Over (Under) Expenditures	(13,217)	13,217
Unencumbered Cash, Beginning	-	(13,217)
Unencumbered Cash, Ending	(\$13,217)	-

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
TITLE II -D EDUCATION TECHNOLOGY
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	-	\$1,678
Federal aid ARRA	2,954	30
Total Cash Receipts	2,954	1,708
Expenditures		
Instruction	-	-
Instructional Support	4,197	465
Total Expenditures	4,197	465
Receipts Over (Under) Expenditures	(1,243)	1,243
Unencumbered Cash, Beginning	-	(1,243)
Unencumbered Cash, Ending	(\$1,243)	-

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
SCHOOL PREPAREDNESS
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Miscellaneous	\$750	-
Total Cash Receipts	750	-
Expenditures		
Instruction	-	750
Total Expenditures	-	750
Receipts Over (Under) Expenditures	750	(750)
Unencumbered Cash, Beginning	-	750
Unencumbered Cash, Ending	\$750	-

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
SPECIAL MINI-GRANT FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Grants	-	-
Total Cash Receipts	-	-
Expenditures		
Grant Expenditures	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	19,670	19,670
Unencumbered Cash, Ending	<u>\$19,670</u>	<u>\$19,670</u>

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
CHARACTER EDUCATION FUND
Statement of Cash Receipts and Expenditures - Actual
For the Fiscal Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	-	\$1,000
Total Cash Receipts	-	1,000
Expenditures		
Instruction	-	1,000
General Administration	-	-
Total Expenditures	-	1,000
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	-	-

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
PRIVATE GRANTS FUND

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Grants	\$50,000	\$57,640
Total Cash Receipts	50,000	57,640
Expenditures		
Grant expenditures	34,541	29,578
Total Expenditures	34,541	29,578
Receipts Over (Under) Expenditures	15,459	28,062
Unencumbered Cash, Beginning	27,565	43,024
Unencumbered Cash, Ending	<u>\$43,024</u>	<u>\$71,086</u>

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
CAPITAL PROJECT FUND

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Interest	\$3,467	-
Bond proceeds	6,900,000	-
Total Cash Receipts	6,903,467	-
Expenditures		
Construction costs	1,050,015	-
Bond issue costs	100,461	-
Operating Transfers to Other Funds		
Bond and Interest Fund	-	880,000
Total Expenditures	1,150,476	880,000
Receipts Over (Under) Expenditures	5,752,991	(880,000)
Unencumbered Cash, Beginning	(5,752,991)	-
Cancelled Prior Year Encumbrance	-	901,743
Unencumbered Cash, Ending	-	\$21,743

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
BOND AND INTEREST FUND

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

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$946,177	\$550,144	\$753,001	(\$202,857)
Delinquent tax	4,249	5,008	11,919	(6,911)
Motor vehicle tax	21,015	70,525	66,421	4,104
Interest	22,215	-	-	-
State Sources				
State aid	6,965	-	-	-
Operating transfer from other funds				
Capital Project Fund	-	880,000	-	880,000
Total Cash Receipts	1,000,621	1,505,677	\$831,341	\$674,336
Expenditures				
Debt Service				
Principal	-	165,000	\$165,000	-
Interest	696,502	1,098,846	1,098,848	2
Other	-	-	100	100
Total Expenditures	696,502	1,263,846	\$1,263,948	\$102
Receipts Over (Under) Expenditures	304,119	241,830		
Unencumbered Cash, Beginning	333,120	637,239		
Unencumbered Cash, Ending	\$637,239	\$879,070		

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

UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
AGENCY FUNDS
Statement of Cash Receipts and Cash Disbursements
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Erie High School	\$35,486	\$124,176	\$116,624	\$43,037
Galesburg	8,354	43,034	43,202	8,186
Erie Elementary	19,111	55,376	49,005	25,482
Totals	<u>\$62,950</u>	<u>\$222,586</u>	<u>\$208,831</u>	<u>\$76,705</u>

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

**UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS
DISTRICT ACTIVITY FUNDS**

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

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Cash Balances	
						2011	2010
Gate Receipts							
High School Athletics	\$4,763	\$28,872	\$21,930	\$11,706	-	\$11,706	\$4,763
Middle School Athletics	11,858	5,891	12,087	\$5,662	-	5,662	11,858
Erie Elementary	-	-	-	-	-	-	-
Total Gate Receipts	16,622	34,763	34,017	17,368	-	17,368	16,622
Special Projects							
High School Athletics	11,857	14,717	12,699	13,874	-	13,874	11,857
Middle School Athletics	-	-	-	-	-	-	-
Erie Elementary	4,438	3,034	3,763	3,709	-	3,709	4,438
Total Special Projects	16,295	17,751	16,463	17,583	-	17,583	16,295
Totals	\$32,916	\$52,514	\$50,480	\$34,951	-	\$34,951	\$32,916

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

ERIE UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Unified School District #101, Erie, Kansas (District), have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The District is a municipal corporation governed by an elected seven-member board. These financial statements present USD #101 (the primary government). The District has developed criteria to determine whether outside agencies, with activities which benefit the members of the District, should be included within its financial reporting entity. This criteria include but are not limited to, whether the District exercises financial accountability, selection of governing authority, designation of management, ability to significantly influence operations, scope of public service and special financing relationships. Based on the above criteria, the District has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a component unit in these financial statements.

Basis of Presentation - Fund Accounting

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

The following types of funds comprise the financial activities of the District:

GOVERNMENTAL FUNDS

General Fund -- to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds -- to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

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

Basis of Presentation - Fund Accounting - (continued)

GOVERNMENTAL FUNDS - (Continued)

Debt Service Fund -- to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments, which are general obligations of the District.

Capital Project Funds -- the Capital Project Funds account for capital improvements which are financed from the District's general obligation bond issues, special assessments, certain federal grants and other specific receipts.

FIDUCIARY FUNDS

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

Basis of Presentation - Special Financial Statements

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transfer, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an inter-fund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

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

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

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue, principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. In addition, the General Fixed Assets Account Group that accounts for the land, buildings and equipment owned by the Unified School District #101 is not recorded.

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

Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. On May 2, 2011, the General Fund and K-12 At Risk Fund budgets were amended. The General Fund budget was further reduced from the amended amounts based on the actual enrollment figures.

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

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments of the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for Special Revenue Grant and Fiduciary Funds.

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

Compensated Absences

Employees may accrue 10 days of sick leave each year. An employee may accumulate up to 75 days of sick leave. At retirement the District pays \$42.50 per day of accumulated unused sick leave to employees that qualify under the early retirement program. No other payments are made for unused sick leave.

Full time, twelve-month employees accrue 10 vacation days each year on June 30, which is to be taken within twelve months after year end.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)
Compensated Absences (Continued)

The District determines a liability for compensated absences when the following conditions are met:

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

In accordance with the above criteria, the District has not accrued a liability for sick pay or vacation pay.

Property Taxes

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

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Compliance with Kansas Statutes

Statements 1 and 2 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statements 1 and 2, there were no apparent violations of the cash basis and budget laws of Kansas. The apparent cash basis violations in the General and Supplemental General Funds were not actual violations as discussed further in Note 11.

3. **CASH IN BANK AND DEPOSITORY SECURITY**

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

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

3. **CASH IN BANK AND DEPOSITORY SECURITY** (Continued)

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State statutes require the District’s deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated “peak periods” when required coverage is 50%. All deposits were legally secured at June 30, 2011.

At June 30, 2011 the District’s carrying amount of deposits was \$4,416,333 and the bank balance was \$4,716,510. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$367,147 was covered by federal depository insurance, \$4,349,363 was collateralized with securities held by the pledging financial institutions’ agents in the District’s name, with a market value of \$6,342,567.

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

The District’s only investment is in the Kansas Municipal Investment Pool. The details are shown below:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	less than 1 year	\$160,403	S&P AAAf/S1+

4. **PENSION PLAN**

Plan Description

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

4. **PENSION PLAN** (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired before July 1, 2009. For employees hired after July 1, 2009, the contribution rate is 6%. Member-employee's contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll. These contribution requirements are established by KPERS and are periodically reviewed.

Kansas's employer contribution to KPERS for all school municipality employees for the years ending June 30, 2011, 2010, and 2009, was \$253,834,404, \$248,468,186, and \$242,277,363, respectively, equal to the statutory required contribution for each year. The amounts attributable to the District for the years ending June 30, 2011, 2010, and 2009, was \$181,214, \$240,499, and \$277,627.

5. **POST EMPLOYMENT BENEFITS**

Retirement

A professional certified employee is eligible for early retirement if such person: (a) is currently a professional certified employee of the District; (b) has reached full retirement eligibility through KPER's on or before June 30 of the retiring year; (c) has 15 years or more of service with the District. Retirement is entirely voluntary and at the discretion of an eligible employee. Retirement benefits are 15% of the annual salary in the primary teaching contract for the final year of service for 5 years or 20% of the final contract if the employee has 20 years of service. The District funds these benefits on a pay as you go basis. For the year ended June 30, 2011, the District contributed \$177,996 to the plan. The District estimates it will have to pay an additional \$578,753 for employees which have already retired.

Participation in Group Health Insurance Plan

As provided by K.S. A. 12-5040, retired employees are eligible to participate in the District's group health insurance plan until they have reached the age of 65. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

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

6. **RISK MANAGEMENT**

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

7. TRANSFERS

FROM	TO	STATUTORY AUTHORITY	AMOUNT
General	Special Education	K.S.A. 72-6428	\$ 715,100
General	K-12 At Risk	K.S.A. 72-6414a	539,869
General	Contingency Reserve	K.S.A. 72-6428	51,868
General	Driver Education	K.S.A. 72-6435	5,000
Supplemental General	Food Service	K.S.A. 72-6433	118,000
Supplemental General	Special Education	K.S.A. 72-6433	288,000
Supplemental General	Bilingual Education	K.S.A. 72-6433	1,969
Supplemental General	Vocational Education	K.S.A. 72-6433	192,000
Supplemental General	4 Year Old At Risk	K.S.A. 72-6414b	44,375
Supplemental General	Inservice Education	K.S.A. 72-6433	20,000
Capital Projects	Bond Interest	K.S.A. 72-6761	880,000

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditors' Report as shown on page 2 of the financial statements. There are no other subsequent events recognized in these financial statements or disclosed in the notes to the financial statements

9. AMENDED BUDGET

On May 2, 2011, the District amended its budgets for the General Fund and K-12 At Risk Fund. The original budgets and amended budgets are shown below:

	<u>Original Budget</u>	<u>Amount Changed</u>	<u>Amended Budget</u>
General Fund			
Instruction	\$ 1,891,882	\$ -	\$ 1,891,882
Student Support	95,700	-	95,700
Instructional Support	179,400	69,402	248,802
General Administration	183,200	-	183,200
School Administration	334,500	-	334,500
Operations and Maintenance	309,700	-	309,700
Transportation	330,000	-	330,000
Other Supplemental Service	130,900	-	130,900
Transfers	<u>1,152,500</u>	<u>65,000</u>	<u>1,217,500</u>
Total Resources Available	<u>\$4,607,782</u>	<u>\$ 134,402</u>	4,742,184
Legal Max Adjustment			<u>(89,437)</u>
			<u>\$4,652,747</u>
K-12 At Risk Fund			
Instruction	<u>\$ 496,719</u>	<u>\$ 43,284</u>	<u>\$ 540,003</u>

10. LONG TERM OBLIGATIONS

Attached are schedules which detail the long-term debt obligations of the District.

Schedule of Changes in Long-Term Obligations

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions / New Debt	Reductions / Principal Paid	Balances End of Year	Interest Paid
General Obligation Bonds									
Series 2007	4.25-5.5%	4/15/1999	\$ 9,000,000	9/15/2010	\$ 9,000,000	\$ -	\$ 145,000	\$ 8,855,000	\$ 455,356
Series 2009	3.5-5.2%	4/1/2009	6,000,000	10/1/2039	6,000,000	-	20,000	5,980,000	285,328
Series 2010	3.55-5.75%	4/1/2010	6,900,000	10/1/2039	6,900,000	-	-	6,900,000	358,162
Capital Leases									
Copier	7.07%	3/16/2005	30,161	10/1/2011	11,030	-	8,184	2,846	538
Copier	7.70%	3/7/2007	12,675	8/31/2012	9,442	-	4,164	5,278	582
					<u>\$ 21,920,472</u>	<u>\$ -</u>	<u>\$ 177,348</u>	<u>\$ 21,743,124</u>	<u>\$ 1,099,966</u>

10. **LONG TERM OBLIGATIONS** (Continued)

Schedule of Maturities in Long-Term Debt

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	Totals
PRINCIPAL											
General Obligation Refunding Bonds											
Series 2007	\$ 150,000	\$ 160,000	\$ 165,000	\$ 175,000	\$ 185,000	\$ 400,000	\$ 1,180,000	\$1,500,000	\$ 2,365,000	\$2,575,000	\$ 8,855,000
Series 2009	95,000	100,000	105,000	110,000	115,000	680,000	860,000	860,000	1,655,000	1,400,000	5,980,000
Series 2010	-	120,000	130,000	130,000	135,000	710,000	920,000	1,155,000	-	3,600,000	6,900,000
Capital Leases											
Copier	2,846	-	-	-	-	-	-	-	-	-	2,846
Copier	4,496	782	-	-	-	-	-	-	-	-	5,278
Total Principal	252,342	380,782	400,000	415,000	435,000	1,790,000	2,960,000	3,515,000	4,020,000	7,575,000	21,743,124
INTEREST											
General Obligation Refunding Bonds											
Series 2007	\$ 449,088	\$ 442,500	\$ 435,594	\$ 428,369	\$ 420,719	\$ 1,966,525	\$ 1,666,937	\$1,276,775	\$ 758,269	\$ 136,400	\$ 7,981,176
Series 2009	283,315	279,903	276,315	272,553	268,615	1,264,000	1,075,638	839,791	541,510	150,020	5,251,660
Series 2010	358,163	355,013	348,450	341,625	334,669	1,576,411	1,407,628	1,155,631	816,188	300,725	6,994,503
Capital Leases											
Copier	61	-	-	-	-	-	-	-	-	-	61
Copier	250	8	-	-	-	-	-	-	-	-	258
Total Interest	1,090,877	1,077,424	1,060,359	1,042,547	1,024,003	4,806,936	4,150,203	3,272,197	2,115,967	587,145	20,227,658
Totals	\$1,343,219	\$1,458,206	\$1,460,359	\$1,457,547	\$1,459,003	\$ 6,596,936	\$ 7,110,203	\$6,787,197	\$ 6,135,967	\$8,162,145	\$41,970,782

11. COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d).

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require school districts, to include as receipts amounts of state aid for the current year, even if not paid by the State until the School's next fiscal year. Those amounts are not included in the fund financial statements of the General and Supplemental General Funds. The following are financials for these funds including the state aid receipts which were received after June 30.

GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Fiscal Year Ended June 30, 2011
(With Comparative Statutory Amounts for the Year Ended June 30, 2010)

	Prior Year Statutory	Current Year		Variance - Favorable (Unfavorable)
		Statutory	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$936,149	\$583,603	\$545,459	\$38,144
Delinquent tax	10,096	5,796	11,702	(5,906)
Mineral tax	22,495	53,248	-	53,248
Other	3,559	4,037	-	4,037
State Sources				
General aid	2,642,698	3,122,027	3,432,003	(309,976)
Special ed aid	682,749	676,271	675,100	1,171
Federal Sources				
Education Jobs Fund	-	134,815	-	134,815
ARRA Stabilization	224,127	76,993	76,993	-
Total Cash Receipts	4,521,873	4,656,790	\$4,741,257	(\$219,282)
Expenditures				
Instruction	1,889,885	1,889,001	\$1,891,882	\$2,881
Support Services				
Student Support	99,581	77,988	95,700	17,712
Instructional Support	168,818	153,425	248,802	95,377
General Administration	184,323	268,933	183,200	(85,733)
School Administration	246,110	311,875	334,500	22,625
Operations and Maintenance	245,870	329,892	309,700	(20,192)
Transportation	316,258	313,833	330,000	16,167
Other Supplemental Service	192,391	-	130,900	130,900
Operating transfers to:				
Special Education	597,849	715,100	677,500	(37,600)
Capital Outlay	-	-	-	-
Driver Education	-	5,000	-	(5,000)
K-12 At Risk	520,000	539,869	540,000	131
Contingency Reserve	60,000	51,868	-	(51,868)
Adjustments to Budget For:				
Legal Max Budget Adjustment	-	-	(89,437)	(89,437)
Reimbursed Expenses	-	-	4,037	4,037
Total Expenditures				
Subject to Budget	4,521,085	4,656,784	\$4,656,784	-
Receipts Over (Under) Expenditures	787	6		
Unencumbered Cash, Beginning	141	928		
Unencumbered Cash, Ending	\$928	\$934		

SUPPLEMENTAL GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Fiscal Year Ended June 30, 2011
(With Comparative Statutory Amounts for the Year Ended June 30, 2010)

	Prior Year Statutory	Current Year		Variance - Favorable (Unfavorable)
		Statutory	Budget	
Cash Receipts				
Local Sources				
Ad Valorem	\$980,833	\$1,356,825	\$1,255,487	\$101,338
Delinquent tax	12,514	8,182	12,472	(4,290)
Motor vehicle tax	95,108	60,502	53,424	7,078
State Sources				
Supplemental aid	224,999	7,466	7,491	(25)
Federal Sources				
ARRA Stabilization	76,099	-	-	-
Total Cash Receipts	1,389,553	1,432,974	\$1,328,874	\$104,100
Expenditures				
Instruction	250,501	130,085	\$271,700	\$141,615
Support Services				
Student Support	-	-	-	-
Instructional Support	52,842	62,667	35,000	(27,667)
General Administration	52,641	85,348	62,000	(23,348)
School Administration	29,291	41,284	34,000	(7,284)
Operations & Management	304,343	329,226	286,700	(42,526)
Transportation	91,960	115,545	110,100	(5,445)
Other Supplemental Service				
Operating Transfers to Other Funds				
Inservice	14,300	20,000	-	(20,000)
Food Service	114,000	118,000	105,000	(13,000)
Special Education	367,348	288,000	288,000	-
Virtual Education	2,408	1,969	2,500	531
Drivers Education	-	-	-	-
4 Yr Old At Risk	34,101	44,375	44,500	125
K - 12 At Risk	-	-	-	-
Vocational Education	177,000	192,000	189,000	(3,000)
Total Expenditures Subject to Budget	1,490,735	1,428,500	\$1,428,500	-
Receipts Over (Under) Expenditures	(101,182)	4,474		
Unencumbered Cash, Beginning	200,809	99,627		
Unencumbered Cash, Ending	<u>\$99,627</u>	<u>\$104,102</u>		

SUPPLEMENTAL INFORMATION

UNIFIED SCHOOL DISTRICT #101

ERIE, KANSAS

HIGH SCHOOL ACTIVITY FUNDS

Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts and Transfers	Cash Disbursements and Transfers	Ending Cash Balances
<u>Student Activity Funds</u>				
Student Activity	\$8,164.98	\$10,151.51	\$8,793.03	\$9,523.46
Lunch	-	28,928.07	28,928.07	-
Textbook	-	3,115.60	3,115.60	-
Sales Tax	707.98	3,277.31	3,528.63	456.66
Athletic Equipment	-	13,856.80	7,106.72	6,750.08
Pep Club	1,085.89	890.00	989.50	986.39
Stuco	332.45	1,008.50	661.33	679.62
Ind Arts	-	2,604.20	2,604.20	-
Voc Ag	-	433.46	433.46	-
FFA	1,386.33	21,982.98	21,114.61	2,254.70
Drama	296.32	210.50	25.00	481.82
Class 2011	2,393.91	-	2,393.91	-
Class 2012	1,555.01	4,858.37	5,750.12	663.26
Class 2013	-	1,896.86	389.65	1,507.21
Class 2014	-	440.00	-	440.00
Skills USA	440.00	-	-	440.00
Scholarship	-	500.00	-	500.00
Band	845.24	1,073.44	752.03	1,166.65
Library	239.99	-	-	239.99
FLC	507.55	-	-	507.55
Debate	571.32	-	211.39	359.93
Kays	1,354.50	7,928.78	7,332.45	1,950.83
Art Club	753.82	1,076.20	1,134.63	695.39
Art Fees	-	780.00	15.00	765.00
Moon Buggy	5,154.46	-	-	5,154.46
E Club	872.52	1,058.00	1,785.00	145.52
SADD	415.96	-	-	415.96
Scholar Bowl	735.44	-	207.18	528.26
NHS	53.37	-	-	53.37
Science Club	576.78	4,415.97	4,379.54	613.21
FCCLA	2,287.60	2,695.61	3,303.66	1,679.55
FCA	103.84	2,857.00	807.71	2,153.13
Chess	2.25	-	-	2.25
Auto Tech	-	2,012.36	2,012.36	-
EHS Auto Tech	500.00	900.00	900.00	500.00
Laptop Fees	4,148.20	5,224.00	7,949.50	1,422.70
Totals - Cash Basis	35,485.71	124,175.52	116,624.28	43,036.95
<u>District Activity Funds</u>				
Gate Receipts				
High School Athletics	4,252.41	28,872.10	21,929.68	11,194.83
Concessions	510.96	-	-	510.96
Special Projects				
Annual	11,856.51	14,716.80	12,699.25	13,874.06
Total-Cash Basis	16,619.88	43,588.90	34,628.93	25,579.85
Grand Totals	\$52,105.59	\$167,764.42	\$151,253.21	\$68,616.80

ERIE, KANSAS
MIDDLE SCHOOL ACTIVITY FUNDS
Schedule of Cash Receipts, Cash Disbursements and Cash Balances
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts and Transfers	Cash Disbursements and Transfers	Ending Cash Balances
Student Activity Funds				
Lunch	\$77.55	\$18,952.71	\$19,030.26	-
Student Activity	391.30	4,584.87	4,426.36	549.81
Textbook	-	1,620.00	1,620.00	-
Clearinghouse	61.86	310.00	215.72	156.14
Sales Tax	-	323.18	323.18	-
St Fundraiser	7,662.70	14,799.25	15,955.31	6,506.64
Stuco	104.21	2,116.02	1,282.51	937.72
Band	56.50	272.99	293.75	35.74
Cheerleaders	-	-	-	-
Chess	-	55.00	55.00	-
Totals - Cash Basis	<u>8,354.12</u>	<u>43,034.02</u>	<u>43,202.09</u>	<u>8,186.05</u>
<u>District Activity Funds</u>				
Gate Receipts				
Middle School Athletics	10,449.59	3,756.52	9,135.89	5,070.22
Concessions	1,408.57	2,134.72	2,951.29	592.00
Total-Cash Basis	<u>11,858.16</u>	<u>5,891.24</u>	<u>12,087.18</u>	<u>5,662.22</u>
Grand Totals	<u><u>\$20,212.28</u></u>	<u><u>\$48,925.26</u></u>	<u><u>\$55,289.27</u></u>	<u><u>\$13,848.27</u></u>

UNIFIED SCHOOL DISTRICT #101
ELEMENTARY SCHOOL ACTIVITY FUNDS
 Schedule of Cash Receipts, Cash Disbursements and Cash Balances
 For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts and Transfers	Cash Disbursements and Transfers	Ending Cash Balances
Student Activity Funds				
Student Activity	\$16,427.67	\$20,743.85	\$14,210.86	\$22,960.66
Lunch	-	28,999.99	28,999.99	-
Textbook	-	3,050.00	3,050.00	-
Sales Tax	-	12.76	-	12.76
Stuco	-	-	-	-
Library	976.87	1,525.62	1,503.46	999.03
Fund Factory	955.05	106.00	889.14	171.91
Youth Friends	33.35	-	-	33.35
Chess	-	338.00	338.00	-
Special Needs	717.58	600.00	13.06	1,304.52
Totals - Cash Basis	<u>19,110.52</u>	<u>55,376.22</u>	<u>49,004.51</u>	<u>25,482.23</u>
<u>District Activity Funds</u>				
Special Projects				
Annual	4,438.00	3,034.00	3,763.40	3,708.60
Total-Cash Basis	<u>4,438.00</u>	<u>3,034.00</u>	<u>3,763.40</u>	<u>3,708.60</u>
Grand Totals	<u><u>\$23,548.52</u></u>	<u><u>\$58,410.22</u></u>	<u><u>\$52,767.91</u></u>	<u><u>\$29,190.83</u></u>

**UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS**

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
<u>U.S. Department of Agriculture</u>			
Passed Through the State of Kansas			
Department of Education:			
School Breakfast Program	10.553	51,609.00	51,609.00
National School Lunch Program	10.555	131,385.00	131,385.00
		182,994.00	182,994.00
 <u>U.S. Department of Education</u>			
REAP Grant	84.358	6,437.00	6,437.00
 Passed Through the State of Kansas			
Department of Education:			
Title I	84.010	185,539.00	140,097.00
Character Education Initiative	84.215	1,000.00	1,000.00
Title II - Tech Literacy Program	84.318	1,678.00	465.00
Title II Improving Teacher Quality	84.367	60,258.00	47,041.00
Title II - Tech Literacy ARRA	84.386	30.00	-
Title I ARRA	84.389	48,820.00	35,620.00
ARRA Stabilization	84.394	76,993.00	76,993.00
Education Jobs Fund	84.410	134,815.00	134,815.00
		515,570.00	442,468.00
 TOTALS		 \$698,564.00	 \$625,462.00

Diehl Banwart Bolton

Certified Public Accountants PA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARDS PROGRAMS

Board of Education
Erie Unified School District #101
Erie, Kansas 66733

Compliance

We have audited the compliance of Erie Unified School District #101 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the compliance of the District based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Erie Unified School District #101 complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2011 .

Internal Control Over Compliance

The management of Erie Unified School District #101 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and it is not intended to be and should not be used by anyone other than these specified parties.

Diehl Banwart Bolton CPA's PA

DIEHL, BANWART, BOLTON, CPAs P.A.

November 21, 2011
Pittsburg, Kansas

Diehl Banwart Bolton

Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Erie Unified School District #101
Erie, Kansas 66733

We have audited the financial statements of Erie Unified School District #101 as of the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The District's response to the findings identified in our audit is described in the Corrective Action Plan. We did not audit the District's response and accordingly, we express no opinion on it.

We noted certain matters that we reported to Management of the District in a separate letter dated November 21, 2011.

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

Diehl Banwart Bolton CPAs PA

DIEHL, BANWART, BOLTON, CPAs P.A.

November 21, 2011
Pittsburg, Kansas

**ERIE UNIFIED SCHOOL DISTRICT #101
ERIE, KANSAS**

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS:

Type of auditors' report issued:

- Adverse for departures from accounting principles generally accepted in the United States of America due to preparation of financial statements in accordance with the statutory basis of accounting.
- Unqualified opinion on the statutory basis financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? __ YES X NO
- Significant deficiency(ies) identified that are not considered to be material weaknesses? NONE
X YES __ REPORTED

Noncompliance material to financial statements noted? __ YES X NO

FEDERAL AWARDS:

Internal control over major programs:

- Material weakness(es) identified? __ YES X NO
- Significant deficiency(ies) identified that are not considered to be material weaknesses? NONE
__ YES X REPORTED

Type of auditors' report issued on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __ YES X NO

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA #</u>	<u>NAME OF PROGRAM</u>
10.553 & 10.555	Child Nutrition Cluster
84.010 & 84.389	Title I Cluster

Auditee qualified as low-risk auditee? __ YES X NO

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2011-1 Drafting Financial Statements

Condition: As auditors, we provide significant assistance with adjusting entries, as well as determining which disclosures are required under generally accepted accounting standards and the statutory basis of accounting.

Criteria: Internal controls should be in place that provide a reasonable assurance that the financial statements are appropriate in form and contain the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they can not be considered part of the District's internal control.

Effect: The District relies on independent auditors to determine the financial statements are in the correct form and include the proper disclosures.

Recommendation: None

Response: The District agrees with the finding. The District's response is in the attached Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

UNIFIED SCHOOL DISTRICT #101

June 30, 2011 Financial Statements

Corrective Action Plan

Audit Finding 2011-1

USD #101 has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under the statutory basis of accounting. While USD #101 understands that this is a significant deficiency in our internal controls, we believe it is the most cost effective manner for us to produce our financial statements. Our accounting staff concentrate on providing the reports needed for management and regulatory purposes. We believe it would be inefficient and cost prohibitive for our staff to attempt to stay current on all the disclosure requirements of the statutory basis of accounting. We do not plan on making any changes at this time. However, we will monitor this situation and periodically determine if it is cost effective for us to perform these functions.