

UNIFIED SCHOOL DISTRICT NO. 389

Financial Statements  
and  
Supplemental Information

with Independent Auditor's Report

For the Year Ended June 30, 2011

Unified School District No. 389  
Eureka, Kansas  
Special Financial Statements  
For the Fiscal Year Ended June 30, 2011

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Unified School District No. 389  
Eureka, Kansas  
Special Financial Statements  
For the Fiscal Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Education  
Unified School District No. 389  
Eureka, Kansas

We have audited the summary statement of cash receipts, expenditures and unencumbered cash balances of Unified School District No. 389, Eureka, Kansas, as of and for the year ended June 30, 2011. This financial statement is the responsibility of Unified School District No. 389's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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 statement. 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, Unified School District No. 389, Eureka, Kansas, has prepared this financial statement using accounting practices prescribed by the State of Kansas which demonstrates compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

The financial statement referred to above includes only the primary government of the District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statement does not include the financial data of any legally separate component units which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government.

In our opinion, because of the District's policy to prepare its financial statement on the basis of accounting discussed in the preceding two paragraphs, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 389, Eureka, Kansas as of June 30, 2011, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of Unified School District No. 389, Eureka, Kansas, as of June 30, 2011, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of Unified School District No. 389's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in 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 statement. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, schedule of cash receipts and expenditures-agency funds (Schedule 1, 2, and 3, as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statement. This information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the statutory basis financial statements of Unified School District No. 389, Eureka, Kansas. This supplemental information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statement, and, in our opinion, is fairly stated, in all material respects in relation to the statutory basis financial statement taken as a whole, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the governing body and management of Unified School District No. 389, Eureka, Kansas, and for filing with the Kansas Department of Education, the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

*Schlotterbeck and Burns, LLC*

February 15, 2012

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Unified School District No. 389  
Summary of Receipts, Expenditures, and Unencumbered Cash  
Regulatory Basis  
For the Year Ended June 30, 2011

		Beginning Unencumbered Cash Balance	Beginning Balance Adjustment	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:								
General		\$ 2,764		4,952,794	4,955,558			
Supplemental General	(2)	57,456	6,546	1,532,543	1,542,537	54,008	316,284	370,292
Special Revenue:								
At Risk 4 Year Old	(2)	48,236	24	180,576	89,836	139,000	603	139,603
At Risk K-12		105,580		738,357	637,937	206,000	14,000	220,000
Capital Outlay	(2)	1,000,054	300	425,320	419,077	1,006,597		1,006,597
Driver Training		30,015		7,247	7,188	30,074		30,074
Food Service	(2)	101,238	56	371,964	346,681	126,577	32,688	159,265
Professional Development		72,874		56,218	13,141	115,951	2,484	118,435
Special Education	(2)	282,129	370	1,006,487	905,108	383,878	3,335	387,213
Vocational Education	(2)	125,000	467	314,586	212,053	228,000	8,763	236,763
Gifts and Grants		7,795				7,795		7,795
KPERS Special Retirement Contribution	(	327,123)		474,220	400,930	( 253,833)	253,833	
Contingency Reserve		515,297				515,297		515,297
Textbook and Student Material Revolving		111,227		35,556	19,772	127,011		127,011
Recreation Commission		38,747		99,111	104,000	33,858		33,858
Title I		6,401		142,038	138,327	10,112	5,350	15,462
Title I ARRA				61,878	61,878		268	268
Title II		912		44,237	44,237	912	363	1,275
Gate Receipts		7,618		44,457	40,674	11,401		11,401
Special Projects		76,110		150,476	117,356	109,230		109,230
Debt Service:								
Bond and Interest		693,314		786,920	779,395	700,839		700,839
Total Primary Government	(1)	<u>2,955,644</u>	<u>7,763</u>	<u>11,424,985</u>	<u>10,835,685</u>	<u>3,552,707</u>	<u>637,971</u>	<u>4,190,678</u>

Composition of Cash:								
Cash and Cash Items on Hand								552
Certificates of Deposit								85,604
Demand Deposits								3,550,633
Due from State of Kansas								641,523
Petty Cash Advance								3,300
Less: Agency Funds per Statement 4								( 90,935)
Adjustment for Rounding								1
Total Primary Government	(1)							<u>4,190,678</u>

(1) Excluding Agency Funds

(2) Beg Bal Adjust - Prior Year Encumbrances Cancelled

Unified School District No. 389  
Eureka, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**Note 1 Summary of Significant Accounting Policies**

**A. Reporting Entity**

Principles Used in Determining Scope of Entity

The basic criterion used for including or excluding other governmental organizations as part of the financial statements of the School District is financial accountability. Financial accountability is derived from the District's powers and includes, but is not limited to, appointment of a voting majority of the governing body, imposition of will, financial benefit/burden on primary government and fiscal dependency. The District has waived the application of generally accepted accounting principles and as such, have not included any component units in these financial statements.

**B. Basis of Presentation**

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 school district for the year ending June 30, 2011:

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.

Debt Service Funds--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 school district.

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 (a) Expendable Trust Funds, (b) Nonexpendable Trust Funds, (c) Pension Trust Funds and (d) Agency Funds.

Unified School District No. 389  
Eureka, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**C. Basis of Accounting**

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased (see Note 5 for a special exception). For an interfund transaction, 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 interfund 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 or 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 District to use the regulatory basis of accounting.

**Departure from Generally Accepted Accounting Principles**

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 and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings and equipment owned by the School District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

**D. Budgets**

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

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

Unified School District No. 389  
Eureka, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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. During the year ended June 30, 2011, the District amended the budgets of the following funds in the amounts indicated:

		<u>Original Budget</u>	<u>Amended Budget</u>
General Fund	\$	4,662,746	4,957,077
At Risk K-12 Fund		705,580	953,060
Special Education Fund		1,257,209	1,299,876

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 schedules 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 regulatory basis of accounting, in which revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

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

- Gifts and Grants Fund
- Contingency Reserve Fund
- Textbook and Student Material Revolving Fund
- Title I Fund
- Title I ARRA Fund
- Title II Fund
- Gate Receipts Fund
- Special Projects Fund

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

**E. Assets, Liabilities, and Fund Equity**

Cash

To facilitate better management of the District's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the special revenue funds designated by Kansas statutes.

Unified School District No. 389  
Eureka, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Property Taxes and Other Receivables

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main 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.

K.S.A. 12-1675 allows the District to deposit idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; and to invest idle funds in U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool.

The District held no investments at June 30, 2011 and held no investments throughout the year.

*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%. The District has not designated any peak periods.

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

At June 30, 2011, the carrying amount of the District's deposits was \$3,636,237 and the bank balance was \$4,114,537. Of the bank balance, \$426,553 was covered by FDIC insurance and the remaining \$3,687,984 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are covered by a tri-party custodial agreement signed by all three parties.

Unified School District No. 389  
Eureka, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by State statutes. No physical inventories were taken at year end and no accounting controls exist for control of materials inventory.

Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**F. Revenues and Expenditures**

Property Tax Revenue Recognition

Property taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at rates established by Kansas Statutes. This interest is retained by the county.

Taxes levied to finance the budget are made available to the school after January 1st and are distributed by the county treasurer approximately every month and a half. At least 50% of the taxes levied are available in January.

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Interfund Transactions

Quasi-external transactions are accounted for as revenue, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Unified School District No. 389  
Eureka, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**Note 2 Stewardship, Compliance, and Accountability**

Compliance with Kansas Cash Basis Law

Expenditures and encumbrances exceeded the available cash in the following funds, in the amounts indicated, as of June 30, 2011:

KPERs Special Retirement Contribution Fund	\$	253,833 (1)
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(1) The State of Kansas pays the employer share of KPERs for each Unified School District in the State. The Kansas Legislature, by statute, created a KPERs fund in each school district. The State of Kansas automatically deposits state aid to the District's bank account, then withdraws the KPERs amount attributable to each School District through this KPERs fund once each quarter. School District personnel have no control over these deposits and withdrawals. At June 30, 2011, the State of Kansas had not deposited the KPERs amount attributable to Unified School District No. 389 for the two quarters ending June 30, 2011, in the amount of \$253,833. Since the liability was due and payable, but the funds had not been received as of June 30, 2011, a cash basis violation resulted and is displayed as such in Statement 1. The State of Kansas subsequently deposited these funds on July 11 and July 12, 2011.

Compliance with Kansas Budget Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

**Note 3 Detail Notes on All Funds and Account Groups**

**A. Assets:**

General Fixed Assets

The District has not maintained a record of fixed assets used in performance of general governmental operations as required by generally accepted accounting principles.

The District has waived the application of generally accepted accounting principles until June 30, 2011, in accordance with K.S.A. 75-1120(a).

Unified School District No. 389  
Eureka, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**B. Liabilities:**

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
<b><u>General Obligation Bonds:</u></b>									
G.O. School Improvement Bonds	4.75-7.75%	02/01/00	\$ 9,750,000	10/01/10	470,000		470,000	0	178,858
G.O. Advance Refunding Bonds	3.50-5.00%	07/01/05	6,365,000	10/01/20	6,365,000			6,365,000	130,538
<b><u>Capital Lease Obligations:</u></b>									
QZAB Energy System Improvements	1.75-5.00%	06/03/11	648,000	12/01/26	0	648,000		648,000	0
<b><u>Contracted Liabilities:</u></b>									
Early Retirement Program					95,000	20,000	36,000	79,000	0
Total Contractual Indebtedness					<u>6,930,000</u>	<u>668,000</u>	<u>506,000</u>	<u>7,092,000</u>	<u>309,396</u>

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

<u>Principal</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17/ 2020-21</u>	<u>2021-22/ 2025-26</u>	<u>2026-27</u>	<u>Total</u>
General Obligation Bonds	\$ 535,000	540,000	560,000	585,000	615,000	2,765,000	765,000		6,365,000
Capital Lease Obligations		13,000	25,000	30,000	35,000	210,000	265,000	70,000	648,000
Contracted Liabilities	30,000	30,000	14,000	5,000					79,000
Total Principal	<u>565,000</u>	<u>583,000</u>	<u>599,000</u>	<u>620,000</u>	<u>650,000</u>	<u>2,975,000</u>	<u>1,030,000</u>	<u>70,000</u>	<u>7,092,000</u>
<b><u>Interest</u></b>									
General Obligation Bonds	251,712	232,900	209,450	180,825	151,525	343,875	15,300		1,385,587
Capital Lease Obligations	26,642	26,529	26,152	25,530	24,698	104,018	51,750	1,750	287,069
Total Interest	<u>278,354</u>	<u>259,429</u>	<u>235,602</u>	<u>206,355</u>	<u>176,223</u>	<u>447,893</u>	<u>67,050</u>	<u>1,750</u>	<u>1,672,656</u>
Total Principal and Interest	<u>843,354</u>	<u>842,429</u>	<u>834,602</u>	<u>826,355</u>	<u>826,223</u>	<u>3,422,893</u>	<u>1,097,050</u>	<u>71,750</u>	<u>8,764,656</u>

**General Obligation Bonds**

Kansas schools are limited to aggregate debt not to exceed 14% of assessed valuation of tangible taxable property within the district. The School District's assessed valuation at June 30, 2011 was \$27,560,999. The total general obligation debt outstanding at June 30, 2011 was \$6,365,000. This balance is made up entirely of advance refunding bonds, which are exempt from the debt limitation by Kansas Statute. However, Kansas Statutes require any defeased bonds which are still outstanding to be included in this debt limitation computation. All of the District's defeased bonds were called early and retired by the District's escrow agent during the 2010-11 school year. The resulting legal debt limitation was \$3,858,540.

**Capital Lease Obligation**

At June 30, 2011, the District is committed under a QZAB lease purchase agreement, which provided funds for energy system improvements in the District.

Unified School District No. 389  
Eureka, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Defined Benefit Pension Plan

*Plan Description.* The 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, KS 66603) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates. Effective July 1, 2009, KPER has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

The State of Kansas is required to contribute the statutory required employer share.

Vacation and Sick Pay

The School District's policies regarding sick leave permit employees a maximum accumulation of 90 days. At the time of termination, if the employee has been with the District for at least five years, the employee is compensated for unused sick days at the rate of \$25 per day for Certified personnel and \$10 per day for all other personnel. Employees are granted a maximum of three weeks vacation per year after five years service. Unused vacation time is lost at the end of each year. Policies prohibit payment for vacation time in lieu of time off and require the cancellation of unused vacation at the time of employment termination.

Early Retirement Incentive Plan

The School District has adopted a local early retirement incentive plan for classified personnel. Under this plan, classified personnel who have 15 or more years service with the District, 20 years of credited service with Kpers, and are between the age of 55 and 65 may retire and receive an annual benefit of \$5,000. Persons who retire under this program between the ages of 55 and 61 will receive this benefit for 4 years. Persons retiring at 62 years of age will receive this benefit for 3 years. Persons retiring at 63 years of age will receive this benefit for 2 years, and persons retiring at 64 years of age will receive this benefit for 1 year.

Unified School District No. 389  
Eureka, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Prior Year Defeasance of Debt

On July 1, 2005 the District issued \$6,365,000 in General Obligation Advance Refunding Bonds with interest rates ranging from 3.50% to 5.00%. The proceeds of this issue were used to advance refund \$6,280,000 of the outstanding 2000 School Improvement bonds which were originally issued on February 1, 2000 with interest rates ranging from 4.75% to 7.75%. The net proceeds of the refunding issue (after issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent and used to advance call the remaining outstanding bonds in 2010. As a result, the refunded portion of the 2000 School Improvement bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements.

**C. Operating Transfers:**

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
General Fund	At Risk 4-Year Old Fund	K.S.A. 72-6428	\$ 131,576
General Fund	At Risk K-12 Fund	K.S.A. 72-6428	632,357
General Fund	Capital Outlay Fund	K.S.A. 72-6428	335,077
General Fund	Driver Training Fund	K.S.A. 72-6428	2,500
General Fund	Professional Development Fund	K.S.A. 72-6428	40,363
General Fund	Special Education Fund	K.S.A. 72-6428	710,402
General Fund	Vocational Education Fund	K.S.A. 72-6428	186,586
Supplemental General Fund	At Risk 4-Year Old Fund	K.S.A. 72-6433	49,000
Supplemental General Fund	At Risk K-12 Fund	K.S.A. 72-6433	106,000
Supplemental General Fund	Food Service Fund	K.S.A. 72-6433	15,000
Supplemental General Fund	Professional Development Fund	K.S.A. 72-6433	15,855
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6433	128,000

**Note 4 Summary Disclosure of Significant Contingencies**

Federally Assisted Programs - Compliance Audits

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

**Note 5 In-Substance Receipt in Transit**

The District received \$641,523 subsequent to June 30, 2011 and as required by K.S.A. 72-6417 and 72-6434, the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2011.

Unified School District No. 389  
 Eureka, Kansas  
 Notes to Financial Statements  
For the Year Ended June 30, 2011

**Note 6 Economic Dependency**

The School District is economically dependent on State and Federal financial assistance. The revenue from the State and Federal government in relation to the total revenues of the District are presented below:

	<u>Total</u>	<u>State</u>		<u>Federal</u>	
	<u>Revenue (1)</u>	<u>Aid</u>	<u>%</u>	<u>Aid</u>	<u>%</u>
General Fund	4,952,794	4,263,787	86.1%	249,232	5.0%
Supplemental General Fund	1,532,543	769,352	50.2%	0	0.0%
Bond and Interest Fund	786,920	288,376	36.6%	0	0.0%
Other Funds	1,800,009	480,801	26.7%	767,907	42.7%
 Total All Funds (1)	 9,072,266	 5,802,316	 64.0%	 1,017,139	 11.2%

(1) Not including fund transfers

**Note 7 Prior Year Encumbrance Correction**

The beginning unencumbered cash balance shown on Statement 1 for the KPERS Special Retirement Contribution Fund at July 1, 2010 has been adjusted from the ending unencumbered balance shown in the prior year financial statements. An additional encumbrance of \$149,815 should have been included in the 2009-10 ending unencumbered balance. The amounts shown in the prior year column in Schedule 2 have been adjusted to reflect this correction.

Unified School District No. 389  
 Summary of Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2011

Schedule 1

	<u>Certified Budget</u>	<u>Adjustment to Comply With Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Type Funds:						
General	\$ 4,957,077			4,957,077	4,955,558	1,519
Supplemental General	1,542,540			1,542,540	1,542,537	3
Special Revenue:						
At Risk 4 Year Old	128,236			128,236	89,836	38,400
At Risk K-12	953,060			953,060	637,937	315,123
Capital Outlay	1,000,000			1,000,000	419,077	580,923
Driver Training	62,675			62,675	7,188	55,487
Food Service	443,873		33,956	477,829	346,681	131,148
Professional Development	96,137			96,137	13,141	82,996
Special Education	1,299,876			1,299,876	905,108	394,768
Vocational Education	392,143			392,143	212,053	180,090
KPERS Special Retirement Contribution	414,748			414,748	400,930	13,818
Recreation Commission	104,000			104,000	104,000	
Debt Service:						
Bond and Interest	<u>779,496</u>			<u>779,496</u>	<u>779,395</u>	<u>101</u>
Totals	<u><u>12,173,861</u></u>		<u><u>33,956</u></u>	<u><u>12,207,817</u></u>	<u><u>10,413,441</u></u>	<u><u>1,794,376</u></u>

Unified School District No. 389  
 General Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
<b>Cash Receipts</b>				
Revenue from Local Sources				
Ad Valorem Taxes	\$ 440,107	432,278	408,458	23,820
Delinquent Taxes	6,649	12,671	7,900	4,771
Reimbursements	1,521			
Total Revenue from Local Sources	<u>448,277</u>	<u>444,949</u>	<u>416,358</u>	<u>28,591</u>
Revenue from County Sources				
Revenue in Lieu of Taxes	1,391			
Revenue from State Sources				
General State Aid	3,594,326	3,695,929	3,891,052	( 195,123)
State Aid Reimbursement		741		741
Mineral Production Tax	254	1,026		1,026
Special Education Aid	479,884	560,917	560,917	
Total Revenue from State Sources	<u>4,074,464</u>	<u>4,258,613</u>	<u>4,451,969</u>	<u>( 193,356)</u>
Revenue from Federal Sources				
Federal Financial Assistance ARRA	228,543	85,933	85,933	
Federal Ed Jobs Program ARRA		150,468		150,468
Federal Flood Control Allocation P.L. 382	2,426			
	9,211	12,831		12,831
Total Revenue from Federal Sources	<u>240,180</u>	<u>249,232</u>	<u>85,933</u>	<u>163,299</u>
Total Cash Receipts	<u>4,764,312</u>	<u>4,952,794</u>	<u>4,954,260</u>	<u>( 1,466)</u>
<b>Expenditures and Transfers</b>				
<b>Instruction</b>				
Certified Salaries	1,378,895	1,459,002	1,464,935	5,933
Non-Certified Salaries	29,187	27,879	32,000	4,121
Social Security	109,934	115,503	110,000	( 5,503)
Other Employee Benefits	1,268	2,136	2,000	( 136)
Textbooks			153,479	153,479
Total Instruction	<u>1,519,284</u>	<u>1,604,520</u>	<u>1,762,414</u>	<u>157,894</u>
<b>Support Services - Students</b>				
Certified Salaries	183,297	201,985	185,000	( 16,985)
Non-Certified Salaries	7,784	8,011	8,500	489
Social Security	14,087	14,378	15,000	622
Other Employee Benefits	107	182	300	118
Total Support Services - Students	<u>205,275</u>	<u>224,556</u>	<u>208,800</u>	<u>( 15,756)</u>
<b>Support Services - Instr. Staff</b>				
Certified Salaries	96,424	105,190	107,873	2,683
Social Security			7,954	7,954
Other Employee Benefits	48	84	100	16
Total Support Services - Instr. Staff	<u>96,472</u>	<u>105,274</u>	<u>115,927</u>	<u>10,653</u>
<b>General Administration</b>				
Certified Salaries	71,843	73,641	65,775	( 7,866)
Non-Certified Salaries	8,889	8,967	8,568	( 399)
Social Security	8,929	8,827	7,000	( 1,827)
Other Employee Benefits	45	60	170	110
Total General Administration	<u>89,706</u>	<u>91,495</u>	<u>81,513</u>	<u>( 9,982)</u>
<b>School Administration</b>				
Certified Salaries	200,211	224,662	225,000	338
Non-Certified Salaries	119,204	124,616	130,000	5,384
Social Security	22,666	22,805	28,000	5,195
Other Employee Benefits	222	330	500	170
Total School Administration	<u>342,303</u>	<u>372,413</u>	<u>383,500</u>	<u>11,087</u>

General Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Support Services - Business				
Non-Certified Salaries	\$ 49,570	60,010	60,430	420
Social Security			4,622	4,622
Other Employee Benefits			100	100
Postage	9,914			
Total Support Services - Business	<u>59,484</u>	<u>60,010</u>	<u>65,152</u>	<u>5,142</u>
Operations and Maintenance				
Non-Certified Salaries	215,211	236,574	210,684	( 25,890)
Social Security	15,362	15,811	16,959	1,148
Other Employee Benefits	129	191	300	109
Total Operations and Maintenance	<u>230,702</u>	<u>252,576</u>	<u>227,943</u>	<u>( 24,633)</u>
Vehicle Operation Services				
Non-Certified Salaries	145,586	144,795	163,000	18,205
Social Security	9,297	9,460	10,350	890
Other Employee Benefits	100	153	200	47
Total Vehicle Operation Services	<u>154,983</u>	<u>154,408</u>	<u>173,550</u>	<u>19,142</u>
Vehicle Servicing/Maintenance				
Non-Certified Salaries	48,027	48,339	48,339	
Social Security	3,060	3,068	3,674	606
Other Employee Benefits	25	38	60	22
Total Vehicle Servicing/Maintenance	<u>51,112</u>	<u>51,445</u>	<u>52,073</u>	<u>628</u>
Fund Transfers				
At Risk 4-Year Old	59,511	131,576	80,000	( 51,576)
At Risk K-12	625,306	632,357	847,480	215,123
Capital Outlay	376,899	335,077		( 335,077)
Driver Training		2,500		( 2,500)
Professional Development		40,363		( 40,363)
Special Education	700,026	710,402	695,101	( 15,301)
Vocational Education	251,097	186,586	263,624	77,038
Total Fund Transfers	<u>2,012,839</u>	<u>2,038,861</u>	<u>1,886,205</u>	<u>( 152,656)</u>
Total Expenditures and Transfers	<u>4,762,160</u>	<u>4,955,558</u>	<u>4,957,077</u>	<u>1,519</u>
Receipts Over (Under)				
Expenditures and Transfers	2,152	( 2,764)		
Unencumbered Cash, Beginning	612	2,764		
Prior Year Encumbrances Cancelled				
Unencumbered Cash, Ending	<u>2,764</u>	<u>2,764</u>		

Unified School District No. 389  
 Supplemental General Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
<b>Cash Receipts</b>				
Revenue from Local Sources				
Ad Valorem Taxes	\$ 578,155	646,987	605,185	41,802
Delinquent Taxes	13,837	20,319	10,425	9,894
Total Revenue from Local Sources	<u>591,992</u>	<u>667,306</u>	<u>615,610</u>	<u>51,696</u>
Revenue from County Sources				
Motor Vehicle Tax	99,377	92,632	95,751	( 3,119)
Recreational Vehicle Tax	1,869	1,635	1,854	( 219)
Revenue in Lieu of Taxes	1,584	1,620		1,620
Total Revenue from County Sources	<u>102,830</u>	<u>95,887</u>	<u>97,605</u>	<u>( 1,718)</u>
Revenue from State Sources				
Supplemental State Aid	554,821	769,350	771,869	( 2,519)
Revenue from Federal Sources				
Federal Financial Assistance ARRA	188,505			
Total Cash Receipts	<u>1,438,148</u>	<u>1,532,543</u>	<u>1,485,084</u>	<u>47,459</u>
<b>Expenditures and Transfers</b>				
<b>Instruction</b>				
Certified Salaries	188,505			
Tuition	44,294	44,406	100,000	55,594
Staff Travel	3,796	4,721	6,200	1,479
Supplies and Materials	50,601	55,683	75,000	19,317
Textbooks	10,145	23,461	46,808	23,347
Miscellaneous Supplies	108,572	118,794	60,000	( 58,794)
Property (Equipment & Furnishings)	51,231	122,402	100,000	( 22,402)
Other			80,000	80,000
Total Instruction	<u>457,144</u>	<u>369,467</u>	<u>468,008</u>	<u>98,541</u>
Support Services - Students				
Supplies and Materials	2,820	3,470	5,000	1,530
Support Services - Instr. Staff				
Books and Periodicals	17,905	19,460	20,000	540
Audio Visual and Software		325		( 325)
Total Support Services - Instr. Staff	<u>17,905</u>	<u>19,785</u>	<u>20,000</u>	<u>215</u>
General Administration				
Purchased Professional and Technical Services	54,073	47,040	69,500	22,460
Board of Education Services	1,054	3,273		( 3,273)
Other Official/Administrative Services	5,051	4,741		( 4,741)
Insurance	113,154	118,087	120,000	1,913
Supplies and Materials	7,542	6,974	8,000	1,026
Property (Equipment & Furnishings)	14,500			
Total General Administration	<u>195,374</u>	<u>180,115</u>	<u>197,500</u>	<u>17,385</u>
Support Services - Business				
Other Purchased Services			16,000	16,000
Postage	4,309	3,501		( 3,501)
Total Support Services - Business	<u>4,309</u>	<u>3,501</u>	<u>16,000</u>	<u>12,499</u>
Operations and Maintenance				
Water/Sewer Services (Non-Energy)	6,101	8,805	8,250	( 555)
Disposal Services	13,015	12,617	15,000	2,383
Repairs and Maintenance	21,011	12,454	30,000	17,546
Rentals/Leases	28,281	32,459	35,000	2,541
Communication Services	9,073	20,344		( 20,344)
Supplies and Materials	141,791	184,864	150,000	( 34,864)
Heating	46,153	36,639	65,600	28,961
Electricity	155,975	162,213	180,400	18,187
Motor Fuel	898	908	1,500	592
Other	19,315	39,061	40,000	939
Total Operations and Maintenance	<u>441,613</u>	<u>510,364</u>	<u>525,750</u>	<u>15,386</u>

Unified School District No. 389  
 Supplemental General Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

		Current Year		
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)
Vehicle Operation Services				
Supplies and Materials	\$ 384			
Motor Fuel	39,160	72,962	65,000	( 7,962)
Other	<u>2,914</u>	<u>2,087</u>		<u>( 2,087)</u>
Total Vehicle Operation Services	<u>42,458</u>	<u>75,049</u>	<u>65,000</u>	<u>( 10,049)</u>
Vehicle Servicing/Maintenance				
Supplies and Materials	50,169	66,931	50,500	( 16,431)
Other			<u>3,000</u>	<u>3,000</u>
Total Vehicle Servicing/Maintenance	<u>50,169</u>	<u>66,931</u>	<u>53,500</u>	<u>( 13,431)</u>
Fund Transfers				
At Risk 4-Year Old	48,236	49,000		( 49,000)
At Risk K-12	75,000	106,000		( 106,000)
Driver Training	10,880		30,000	30,000
Food Service	17,000	15,000	35,000	20,000
Professional Development	50,000	15,855	23,263	7,408
Special Education			100,000	100,000
Vocational Education	<u>75,000</u>	<u>128,000</u>	<u>3,519</u>	<u>( 124,481)</u>
Total Fund Transfers	<u>276,116</u>	<u>313,855</u>	<u>191,782</u>	<u>( 122,073)</u>
Total Expenditures and Transfers	<u>1,487,908</u>	<u>1,542,537</u>	<u>1,542,540</u>	<u>3</u>
Receipts Over (Under)				
Expenditures and Transfers	( 49,760)	( 9,994)		
Unencumbered Cash, Beginning	96,625	57,456		
Prior Year Encumbrances Cancelled	<u>10,591</u>	<u>6,546</u>		
Unencumbered Cash, Ending	<u>57,456</u>	<u>54,008</u>		

Unified School District No. 389  
At Risk 4 Year Old Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Operating Transfers				
Transfer from General Fund	\$ 59,511	131,576	80,000	51,576
Transfer from Supplemental General Fund	48,236	49,000		49,000
Total Cash Receipts	<u>107,747</u>	<u>180,576</u>	<u>80,000</u>	<u>100,576</u>
Expenditures and Transfers				
Instruction				
Certified Salaries	83,955	84,089	55,434	( 28,655)
Non-Certified Salaries			31,000	31,000
Social Security	5,109	5,140	6,612	1,472
General Supplies and Materials	478	607	35,190	34,583
Total Expenditures and Transfers	<u>89,542</u>	<u>89,836</u>	<u>128,236</u>	<u>38,400</u>
Receipts Over (Under)				
Expenditures and Transfers	18,205	90,740		
Unencumbered Cash, Beginning	30,000	48,236		
Prior Year Encumbrances Cancelled	31	24		
Unencumbered Cash, Ending	<u>48,236</u>	<u>139,000</u>		

Unified School District No. 389  
At Risk K-12 Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Operating Transfers				
Transfer from General Fund	\$ 625,306	632,357	847,480	( 215,123)
Transfer from Supplemental General Fund	75,000	106,000		106,000
Total Cash Receipts	<u>700,306</u>	<u>738,357</u>	<u>847,480</u>	<u>( 109,123)</u>
Expenditures and Transfers				
Instruction				
Certified Salaries	610,503	585,176	620,954	35,778
Non-Certified Salaries	16,389			
Social Security	41,863	38,761	47,502	8,741
Other Employee Benefits			600	600
Supplies and Materials			36,524	36,524
Textbooks			247,480	247,480
Total Instruction	<u>668,755</u>	<u>623,937</u>	<u>953,060</u>	<u>329,123</u>
Support Services - Students				
Purchased Professional and Technical Services		14,000		( 14,000)
Total Expenditures and Transfers	<u>668,755</u>	<u>637,937</u>	<u>953,060</u>	<u>315,123</u>
Receipts Over (Under) Expenditures and Transfers	31,551	100,420		
Unencumbered Cash, Beginning	<u>74,029</u>	<u>105,580</u>		
Unencumbered Cash, Ending	<u>105,580</u>	<u>206,000</u>		

Unified School District No. 389  
 Capital Outlay Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
<b>Cash Receipts</b>				
Revenue from Local Sources				
Ad Valorem Taxes	\$ 106,786	29,756	28,799	957
Delinquent Taxes	2,462	3,565	1,930	1,635
Interest on Investments		29,249	25,000	4,249
Other Revenue From Local Sources	4,160	2,823	3,500	( 677)
Total Revenue from Local Sources	<u>113,408</u>	<u>65,393</u>	<u>59,229</u>	<u>6,164</u>
Revenue from County Sources				
Motor Vehicle Tax	16,816	16,514	17,122	( 608)
Recreational Vehicle Tax	316	292	332	( 40)
Revenue in Lieu of Taxes	278	1,708		1,708
Total Revenue from County Sources	<u>17,410</u>	<u>18,514</u>	<u>17,454</u>	<u>1,060</u>
Revenue from Federal Sources				
Federal Flood Control Allocation		837		837
P.L. 382		5,499		5,499
Total Revenue from Federal Sources		<u>6,336</u>		<u>6,336</u>
Operating Transfers				
Transfer from General Fund	376,899	335,077		335,077
Total Cash Receipts	<u>507,717</u>	<u>425,320</u>	<u>76,683</u>	<u>348,637</u>
<b>Expenditures and Transfers</b>				
Instruction				
Property (Equipment & Furnishings)		10,835	150,000	139,165
Operations and Maintenance				
Property (Equipment & Furnishings)		33,942	300,000	266,058
Vehicle Operation Services				
Property (Equipment & Furnishings)		74,300	200,000	125,700
Facilities Acquisition/Construction				
Site Improvement Services	13,550	300,000	200,000	( 100,000)
Architecture and Engineering Services			100,000	100,000
Other Facilities Acquisition/Construction			50,000	50,000
Total Facilities Acquisition/Construction	<u>13,550</u>	<u>300,000</u>	<u>350,000</u>	<u>50,000</u>
Total Expenditures and Transfers	<u>13,550</u>	<u>419,077</u>	<u>1,000,000</u>	<u>580,923</u>
Receipts Over (Under)				
Expenditures and Transfers	494,167	6,243		
Unencumbered Cash, Beginning				
Prior Year Encumbrances Cancelled	505,887	1,000,054		
Unencumbered Cash, Ending	<u>1,000,054</u>	<u>1,006,597</u>		

Unified School District No. 389  
Driver Training Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Revenue from Local Sources				
Other Revenue From Local Sources	\$ 3,479	2,157		2,157
Revenue from State Sources				
General State Aid	1,300	2,590	2,660	( 70)
Operating Transfers				
Transfer from General Fund		2,500		2,500
Transfer from Supplemental General Fund	10,880		30,000	( 30,000)
Total Operating Transfers	10,880	2,500	30,000	( 27,500)
Total Cash Receipts	15,659	7,247	32,660	( 25,413)
Expenditures and Transfers				
Instruction				
Certified Salaries	6,951	6,378	24,000	17,622
Social Security	532	489	1,836	1,347
Other Employee Benefits		7	100	93
Supplies and Materials			17,844	17,844
Total Instruction	7,483	6,874	43,780	36,906
Vehicle Operation/Maintenance				
Insurance			17,845	17,845
Motor Fuel	167	298	1,000	702
Other	14	16	50	34
Total Vehicle Operation/Maintenance	181	314	18,895	18,581
Total Expenditures and Transfers	7,664	7,188	62,675	55,487
Receipts Over (Under) Expenditures and Transfers	7,995	59		
Unencumbered Cash, Beginning	22,020	30,015		
Unencumbered Cash, Ending	30,015	30,074		

Unified School District No. 389  
 Food Service Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
<b>Cash Receipts</b>				
Revenue from Local Sources				
Student Sales	\$ 94,331	86,942	89,491	( 2,549)
Adults and Non-Reimbursable Programs	5,734	3,983	5,798	( 1,815)
Other Revenue From Local Sources	17,658	18,906		18,906
Total Revenue from Local Sources	<u>117,723</u>	<u>109,831</u>	<u>95,289</u>	<u>14,542</u>
Revenue from State Sources				
General State Aid	3,917	3,992	3,161	831
Revenue from Federal Sources				
Federal Financial Assistance	217,676	243,141	209,185	33,956
Operating Transfers				
Transfer from Supplemental General Fund	17,000	15,000	35,000	( 20,000)
Total Cash Receipts	<u>356,316</u>	<u>371,964</u>	<u>342,635</u>	<u>29,329</u>
<b>Expenditures and Transfers</b>				
Operations and Maintenance				
Water/Sewer Services (Non-Energy)	2,346	2,275	2,802	527
Food Service Operations				
Non-Certified Salaries	107,083	100,930	115,000	14,070
Social Security	7,058	6,056	8,797	2,741
Other Employee Benefits	63	83	150	67
Food and Milk	201,464	222,034	230,000	7,966
Miscellaneous Supplies	9,732	9,040	13,000	3,960
Property (Equipment & Furnishings)	6,724	3,819	71,624	67,805
Other	1,122	2,444	2,500	56
Total Food Service Operations	<u>333,246</u>	<u>344,406</u>	<u>441,071</u>	<u>96,665</u>
Budget Credit Adjustment			33,956	33,956
Total Expenditures and Transfers	<u>335,592</u>	<u>346,681</u>	<u>477,829</u>	<u>131,148</u>
Receipts Over (Under)				
Expenditures and Transfers	20,724	25,283		
Unencumbered Cash, Beginning	80,000	101,238		
Prior Year Encumbrances Cancelled	514	56		
Unencumbered Cash, Ending	<u>101,238</u>	<u>126,577</u>		

Unified School District No. 389  
Professional Development Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Operating Transfers				
Transfer from General Fund	\$	40,363		40,363
Transfer from Supplemental General Fund	<u>50,000</u>	<u>15,855</u>	<u>23,263</u>	( <u>7,408</u> )
Total Cash Receipts	<u>50,000</u>	<u>56,218</u>	<u>23,263</u>	<u>32,955</u>
Expenditures and Transfers				
Support Services - Instr. Staff				
Instructional Program Improvement Services	<u>4,042</u>	<u>13,141</u>	<u>96,137</u>	<u>82,996</u>
Total Expenditures and Transfers	<u>4,042</u>	<u>13,141</u>	<u>96,137</u>	<u>82,996</u>
Receipts Over (Under)				
Expenditures and Transfers	45,958	43,077		
Unencumbered Cash, Beginning	<u>26,916</u>	<u>72,874</u>		
Unencumbered Cash, Ending	<u>72,874</u>	<u>115,951</u>		

Unified School District No. 389  
Special Education Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Revenue from Local Sources				
Interest on Investments	\$ 22,629			
Revenue from Federal Sources				
Federal Financial Assistance	186,859	187,724	244,711	( 56,987)
Federal Financial Assistance ARRA	70,800	77,748		77,748
Medicaid Title XIX	26,420	30,613	15,000	15,613
Total Revenue from Federal Sources	284,079	296,085	259,711	36,374
Operating Transfers				
Transfer from General Fund	700,026	710,402	695,101	15,301
Transfer from Supplemental General Fund			100,000	( 100,000)
Total Operating Transfers	700,026	710,402	795,101	( 84,699)
Total Cash Receipts	1,006,734	1,006,487	1,054,812	( 48,325)
Expenditures and Transfers				
Instruction				
Certified Salaries	412,971	436,240	453,107	16,867
Non-Certified Salaries	258,853	260,937	272,750	11,813
Social Security	46,951	48,510	52,264	3,754
Other Employee Benefits	358	575	1,000	425
Purchased Professional and Technical Services	61,133	10,440	55,000	44,560
Purchased Property Services			2,000	2,000
Tuition		2,467		( 2,467)
Staff Travel	232	802		( 802)
Supplies and Materials	4,648	10,620	8,000	( 2,620)
Textbooks			24,544	24,544
Miscellaneous Supplies	1,315	40		( 40)
Property (Equipment & Furnishings)	261			
Total Instruction	786,722	770,631	868,665	98,034
Support Services - Students				
Certified Salaries	52,617	57,400		( 57,400)
Non-Certified Salaries	21,609	22,200	23,000	800
Social Security	4,831	5,440	5,000	( 440)
Other Employee Benefits	41	68		( 68)
Purchased Professional and Technical Services	877	2,946		( 2,946)
Total Support Services - Students	79,975	88,054	28,000	( 60,054)
General Administration				
Certified Salaries			65,175	65,175
Vehicle Operation Services				
Non-Certified Salaries	32,545	37,042	32,000	( 5,042)
Social Security	2,487	2,534	2,500	( 34)
Motor Fuel	8,129	6,847	100,000	93,153
Property (Equipment & Furnishings)	17,157		203,536	203,536
Total Vehicle Operation Services	60,318	46,423	338,036	291,613
Total Expenditures and Transfers	927,015	905,108	1,299,876	394,768
Receipts Over (Under)				
Expenditures and Transfers	79,719	101,379		
Unencumbered Cash, Beginning	202,328	282,129		
Prior Year Encumbrances Cancelled	82	370		
Unencumbered Cash, Ending	282,129	383,878		

Unified School District No. 389  
Vocational Education Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Operating Transfers				
Transfer from General Fund	\$ 251,097	186,586	263,624	( 77,038)
Transfer from Supplemental General Fund	75,000	128,000	3,519	124,481
Total Cash Receipts	<u>326,097</u>	<u>314,586</u>	<u>267,143</u>	<u>47,443</u>
Expenditures and Transfers				
Instruction				
Certified Salaries	221,727	195,778	240,625	44,847
Social Security			18,408	18,408
General Supplies and Materials			53,519	53,519
Miscellaneous Supplies	12,783	16,275	15,000	( 1,275)
Property (Equipment & Furnishings)	2,687		64,591	64,591
Total Expenditures and Transfers	<u>237,197</u>	<u>212,053</u>	<u>392,143</u>	<u>180,090</u>
Receipts Over (Under)				
Expenditures and Transfers	88,900	102,533		
Unencumbered Cash, Beginning	36,068	125,000		
Prior Year Encumbrances Cancelled	32	467		
Unencumbered Cash, Ending	<u>125,000</u>	<u>228,000</u>		

Unified School District No. 389  
 Gifts and Grants Fund  
 Summary of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended June 30, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
None	\$ _____	_____
Expenditures and Transfers		
None	_____	_____
Receipts Over (Under) Expenditures and Transfers		
Unencumbered Cash, Beginning	<u>7,795</u>	<u>7,795</u>
Unencumbered Cash, Ending	<u><u>7,795</u></u>	<u><u>7,795</u></u>

Unified School District No. 389  
KPERs Special Retirement Contribution Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Revenue from State Sources				
General State Aid	\$ 168,316	474,220	414,748	59,472
Total Cash Receipts	<u>168,316</u>	<u>474,220</u>	<u>414,748</u>	<u>59,472</u>
Expenditures and Transfers				
Instruction				
Other Employee Benefits	<u>353,949</u>	<u>167,391</u>	<u>286,808</u>	<u>119,417</u>
Support Services - Students				
Other Employee Benefits	<u>27,071</u>	<u>12,306</u>	<u>20,207</u>	<u>7,901</u>
Support Services - Instr. Staff				
Other Employee Benefits	<u>13,370</u>	<u>7,491</u>	<u>8,825</u>	<u>1,334</u>
General Administration				
Other Employee Benefits	<u>9,385</u>	<u>30,940</u>	<u>11,862</u>	( <u>19,078</u> )
School Administration				
Other Employee Benefits	<u>32,834</u>	<u>65,151</u>	<u>31,494</u>	( <u>33,657</u> )
Support Services - Business				
Other Employee Benefits	<u>5,284</u>	<u>20,372</u>	<u>5,082</u>	( <u>15,290</u> )
Operations and Maintenance				
Other Employee Benefits	<u>21,898</u>	<u>56,763</u>	<u>21,581</u>	( <u>35,182</u> )
Student Transportation				
Other Employee Benefits	<u>21,508</u>	<u>35,493</u>	<u>19,726</u>	( <u>15,767</u> )
Operation of Non-Instruction Services				
Other Employee Benefits	<u>10,140</u>	<u>5,023</u>	<u>9,163</u>	<u>4,140</u>
Total Expenditures and Transfers	<u>495,439</u>	<u>400,930</u>	<u>414,748</u>	<u>13,818</u>
Receipts Over (Under)				
Expenditures and Transfers	( 327,123)	73,290		
Unencumbered Cash, Beginning		( 327,123)		
Unencumbered Cash, Ending	( <u>327,123</u> )	( <u>253,833</u> )		

Unified School District No. 389  
Contingency Reserve Fund  
Summary of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
None	\$ _____	_____
Expenditures and Transfers		
None	_____	_____
Receipts Over (Under) Expenditures and Transfers		
Unencumbered Cash, Beginning	<u>515,297</u>	<u>515,297</u>
Unencumbered Cash, Ending	<u>515,297</u>	<u>515,297</u>

Unified School District No. 389  
Textbook and Student Material Revolving Fund  
Summary of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended June 30, 2011

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

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Revenue from Local Sources		
User Charges and Fines	\$ 15,796	15,463
Textbook Sales and Rentals	<u>19,356</u>	<u>20,093</u>
Total Cash Receipts	<u>35,152</u>	<u>35,556</u>
Expenditures and Transfers		
Instruction		
Supplies and Materials	15,171	15,082
Textbooks	<u>4,690</u>	<u>4,690</u>
Total Expenditures and Transfers	<u>15,171</u>	<u>19,772</u>
Receipts Over (Under)		
Expenditures and Transfers	19,981	15,784
Unencumbered Cash, Beginning	<u>91,246</u>	<u>111,227</u>
Unencumbered Cash, Ending	<u>111,227</u>	<u>127,011</u>

Unified School District No. 389  
Recreation Commission Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Revenue from Local Sources				
Ad Valorem Taxes	\$ 84,345	82,795	80,402	2,393
Delinquent Taxes	1,938	2,814	1,525	1,289
Total Revenue from Local Sources	<u>86,283</u>	<u>85,609</u>	<u>81,927</u>	<u>3,682</u>
Revenue from County Sources				
Motor Vehicle Tax	13,284	13,046	13,527	( 481)
Recreational Vehicle Tax	250	231	262	( 31)
Revenue in Lieu of Taxes	220	225		225
Total Revenue from County Sources	<u>13,754</u>	<u>13,502</u>	<u>13,789</u>	<u>( 287)</u>
Total Cash Receipts	<u>100,037</u>	<u>99,111</u>	<u>95,716</u>	<u>3,395</u>
Expenditures and Transfers				
Community Services Operations				
Community Service Operations	<u>103,850</u>	<u>104,000</u>	<u>104,000</u>	
Total Expenditures and Transfers	<u>103,850</u>	<u>104,000</u>	<u>104,000</u>	
Receipts Over (Under) Expenditures and Transfers	( 3,813)	( 4,889)		
Unencumbered Cash, Beginning	<u>42,560</u>	<u>38,747</u>		
Unencumbered Cash, Ending	<u>38,747</u>	<u>33,858</u>		

Unified School District No. 389  
Title I Fund  
Summary of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Revenue from Federal Sources		
Federal Financial Assistance	\$ 143,695	142,038
Total Cash Receipts	<u>143,695</u>	<u>142,038</u>
 Expenditures and Transfers		
Instruction		
Certified Salaries	130,904	117,311
Social Security	11,182	11,602
Supplies and Materials	3,184	757
Property (Equipment & Furnishings)	4,764	2,700
Total Instruction	<u>150,034</u>	<u>132,370</u>
Support Services - Students		
Other	<u>289</u>	<u>282</u>
Support Services - Instr. Staff		
Other	<u>5,383</u>	<u>5,675</u>
Total Expenditures and Transfers	<u>155,706</u>	<u>138,327</u>
 Receipts Over (Under)		
Expenditures and Transfers	( 12,011)	3,711
 Unencumbered Cash, Beginning	<u>18,412</u>	<u>6,401</u>
Unencumbered Cash, Ending	<u><u>6,401</u></u>	<u><u>10,112</u></u>

Unified School District No. 389  
Title I ARRA Fund  
Summary of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Revenue from Federal Sources		
Federal Financial Assistance ARRA	\$ 35,750	61,878
Total Cash Receipts	<u>35,750</u>	<u>61,878</u>
 Expenditures and Transfers		
Instruction		
Certified Salaries	35,750	54,731
Other Employee Benefits		2,294
General Supplies and Materials		4,853
Total Expenditures and Transfers	<u>35,750</u>	<u>61,878</u>
 Receipts Over (Under)		
Expenditures and Transfers		
 Unencumbered Cash, Beginning	<u>          </u>	<u>          </u>
Unencumbered Cash, Ending	<u>          </u>	<u>          </u>

Unified School District No. 389  
Title II Fund  
Summary of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended June 30, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Revenue from Federal Sources		
Federal Financial Assistance	\$ 45,323	44,237
Federal Financial Assistance ARRA	<u>3,186</u>	<u>          </u>
Total Cash Receipts	<u>48,509</u>	<u>44,237</u>
Expenditures and Transfers		
Instruction		
Certified Salaries		36,661
Supplies and Materials	318	363
Property (Equipment & Furnishings)	<u>4,164</u>	<u>118</u>
Total Instruction	<u>4,482</u>	<u>37,142</u>
Support Services - Instr. Staff		
Certified Salaries	36,224	
Instructional Program Improvement Services	<u>7,803</u>	<u>7,095</u>
Total Support Services - Instr. Staff	<u>44,027</u>	<u>7,095</u>
Total Expenditures and Transfers	<u>48,509</u>	<u>44,237</u>
Receipts Over (Under) Expenditures and Transfers		
Unencumbered Cash, Beginning	600	912
Prior Year Encumbrances Cancelled	<u>312</u>	<u>          </u>
Unencumbered Cash, Ending	<u>912</u>	<u>912</u>

Unified School District No. 389  
Bond and Interest Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2011

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

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Revenue from Local Sources				
Ad Valorem Taxes	\$ 430,804	410,015	398,183	11,832
Delinquent Taxes	10,850	15,262	7,753	7,509
Total Revenue from Local Sources	<u>441,654</u>	<u>425,277</u>	<u>405,936</u>	<u>19,341</u>
Revenue from County Sources				
Motor Vehicle Tax	73,813	70,767	73,043	( 2,276)
Recreational Vehicle Tax	1,389	1,249	1,415	( 166)
Revenue in Lieu of Taxes	1,223	1,251		1,251
Total Revenue from County Sources	<u>76,425</u>	<u>73,267</u>	<u>74,458</u>	<u>( 1,191)</u>
Revenue from State Sources				
General State Aid	295,185	288,376	288,414	( 38)
Total Cash Receipts	<u>813,264</u>	<u>786,920</u>	<u>768,808</u>	<u>18,112</u>
Expenditures and Transfers				
Debt Service				
Redemption of Principal	445,000	470,000	470,000	
Interest (Coupons)	374,959	309,395	309,396	1
Commission and Postage			100	100
Total Expenditures and Transfers	<u>819,959</u>	<u>779,395</u>	<u>779,496</u>	<u>101</u>
Receipts Over (Under) Expenditures and Transfers	( 6,695)	7,525		
Unencumbered Cash, Beginning	<u>700,009</u>	<u>693,314</u>		
Unencumbered Cash, Ending	<u>693,314</u>	<u>700,839</u>		

Unified School District No. 389  
Eureka, Kansas  
Summary of Cash Receipts and Disbursements - Fiduciary Funds  
For the Year Ended June 30, 2011

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Student Organization Funds:				
High School:				
Band	\$ 670	1,215	1,561	324
Band Fees and Rental	-	215	215	-
Class of '11	1,958	858	2,816	-
Class of '12	2,569	1,421	3,087	903
Class of '13	849	426	64	1,211
Class of '14	636	372	100	908
Class of '15	524	283	46	761
Cheerleaders	812	3,599	2,449	1,962
E-Club	254	-	-	254
Educational Trips	205	-	-	205
Family & Consumer Science	-	840	840	-
FCA	324	-	-	324
FCCLA	695	1,768	1,985	478
FFA	10,017	23,817	21,540	12,294
Foreign Language Club	1,725	2,947	4,228	444
Scholar's Bowl	657	1,382	802	1,237
Ks. State Science/Engineer Fair	-	500	500	-
KAYS, Sr.	1,197	-	-	1,197
National Honor Society	24	-	-	24
Power Lifting Club	336	-	67	269
SADD	249	3,224	3,433	40
Science Club	1,534	2,247	3,110	671
Science Fund	1,899	2,869	4,768	-
Speech and Drama Club	4,849	756	499	5,106
Student Council	817	2,335	2,307	845
Student Council Pop	-	15,018	14,770	248
Tornado Cave	5,035	7,823	8,011	4,847
Technology Students Assoc	764	-	-	764
Vocal Music	267	278	310	235
Donations- Flint	-	494	241	253
Forensics	-	432	432	-
New Science Account	-	849	-	849
Pop Chorale	-	1,230	25	1,205
Science Trip	-	1,899	782	1,117
Testing Fees	-	2,180	2,160	20
Class of 2016	-	125	25	100
Green Team Account	-	6,454	4,683	1,771
GW Foods Donation	-	672	359	313
Misc Concession Stand	-	1,147	1,147	-
Other Agency Funds				
Payroll Clearing	49,357	2,019,671	2,019,274	49,754
Sales Tax	56	4,662	4,716	2
Total Agency Funds	<u>88,279</u>	<u>2,114,008</u>	<u>2,111,352</u>	<u>90,935</u>

Unified School District No. 389  
Eureka, Kansas  
Summary of Receipts, Expenditures and Unencumbered Cash - District Activity Funds  
For the Year Ended June 30, 2011

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
<u>Gate Receipts:</u>						
<u>High School:</u>						
Athletics	\$ 6,484	28,910	25,101	10,293		10,293
Concessions	1,134	15,547	15,573	1,108		1,108
Subtotal Gate Receipts	<u>7,618</u>	<u>44,457</u>	<u>40,674</u>	<u>11,401</u>	<u>-</u>	<u>11,401</u>
<u>Special Projects:</u>						
<u>Marshall Elementary:</u>						
General Clearing	912	51,805	51,801	916		916
Pop Machine	2,762	8,997	8,734	3,025		3,025
Book Fair	3,315	4,082	3,842	3,555		3,555
Student Needs	667	4,318	2,008	2,977		2,977
<u>High School:</u>						
Annual (Jr/Sr High)	2,954	7,114	7,479	2,589		2,589
Athletic T-Shirts	758	4,353	3,922	1,189		1,189
Activities Change Account	890	28,195	28,195	890		890
Dual Credit Scholarship Loans	6,439	3,488	4,223	5,704		5,704
Dual Credit Scholarships	88	1,445	855	678		678
Copy Center Equipment	300	306	101	505		505
Scholarships	8,534	8,215	4,019	12,730		12,730
Scholarships-ETA	575	314	-	889		889
Scholarships-John May	250	-	250	-		-
Scholarships-Larry Shue	690	259	50	899		899
Mentally Handicapped Spec Project	3,742	804	10	4,536		4,536
Lift-a-thon	987	1,174	760	1,401		1,401
John May Memorial	3,789	12	9	3,792		3,792
Larry Shue Memorial	3,885	30	-	3,915		3,915
Scholarships-Jean Gundy	-	25,150	125	25,025		25,025
Scholarships-Ghyneth	34,573	415	973	34,015		34,015
Subtotal Special Projects	<u>76,110</u>	<u>150,476</u>	<u>117,356</u>	<u>109,230</u>	<u>-</u>	<u>109,230</u>
Total District Activity Funds	<u>83,728</u>	<u>194,933</u>	<u>158,030</u>	<u>120,631</u>	<u>-</u>	<u>120,631</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Unified School District No. 389  
Eureka, Kansas

We have audited the statutory basis financial statements of Unified School District No. 389, Eureka, Kansas, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 15, 2012. 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 Unified School District No. 389, Eureka, Kansas, 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 Unified School District No. 389, Eureka, Kansas, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 389, Eureka, Kansas internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting 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 financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 389, Eureka, Kansas statutory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing body and management of the Unified School District No. 389, Eureka, Kansas, and for filing with the Kansas Department of Education, the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

*Schlatterbeck and Burns, LLC*

February 15, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Unified School District No. 389  
Eureka, Kansas

Compliance

We have audited the compliance of Unified School District No. 389, Eureka, Kansas, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. Unified School District No. 389, Eureka, Kansas, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Unified School District No. 389, Eureka, Kansas, management. Our responsibility is to express an opinion on Unified School District No. 389, Eureka, Kansas, compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unified School District No. 389, Eureka, Kansas 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 Unified School District No. 389, Eureka, Kansas compliance with those requirements.

In our opinion, Unified School District No. 389, Eureka, Kansas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Unified School District No. 389, Eureka, Kansas, 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 Unified School District No. 389, Eureka, Kansas internal control over compliance with 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 389, Eureka, Kansas, internal control over compliance.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the 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.

This report is intended solely for the information and use of the governing body and management of the Unified School District No. 389, Eureka, Kansas, and for filing with the Kansas Department of Education, the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

*Schlottbeck and Burns, LLC*

February 15, 2012

Unified School District No. 389  
Eureka, Kansas  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2011

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the special purpose financial statements of Unified School District No. 389, Eureka, Kansas.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Conducted in Accordance with Government Auditing Standards".
3. No instances of noncompliance material to the financial statements of Unified School District No. 389, Eureka, Kansas were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133".
5. The auditor's report on compliance for the major federal award programs for Unified School District No. 389, Eureka, Kansas expresses an unqualified opinion.
6. There were no findings relating to the major federal award programs for Unified School District No. 389, Eureka, Kansas, that are required to be reported in Part C of this Schedule.
7. The programs tested as major programs were the Special Education Cluster: 84.027 – Special Education Grants to States; 84.173 – Special Education Preschool Grants; 84.391 – Special Education Grants to States, Recovery Act; and 84.392 – Special Education Preschool Grants, Recovery Act
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Unified School District No. 389, Eureka, Kansas was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None.

C. Findings and Questioned Costs – Major Federal Awards Program Audit

None.

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Unified School District No. 389  
Eureka, Kansas  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Passed through State Department of Education		
School Breakfast Program	10.553	\$ 61,178
National School Lunch Program	10.555	181,964
Total U.S. Department of Agriculture		<u>243,142</u>
U.S. Corps of Engineers		
Passed through Greenwood County Treasurer		
Payments to States in Lieu of Real Estate Taxes	12.112	837
Passed through Woodson County Treasurer		
Payments to States in Lieu of Real Estate Taxes	12.112	4,805
Total U.S. Corps of Engineers		<u>5,642</u>
U.S. Department of Education		
Impact Aid	84.041	18,330
Passed through State Department of Education		
Title I Grants to Local Educational Agencies	84.010	143,054
Special Education Grants to States	84.027	180,979 (1), (2)
Special Education Preschool Grants	84.173	7,256 (1), (2)
Education Technology State Grants	84.318	118
Improving Teacher Quality	84.367	44,331
Title I Grants to Local Educational Agencies, Recovery Act (ARRA)	84.389	61,610
Special Education Grants to States, Recovery Act (ARRA)	84.391	75,544 (1), (2)
Special Education Preschool Grants, Recovery Act (ARRA)	84.392	2,204 (1), (2)
State Fiscal Stabilization Fund - Education State Grants, Recovery Act (ARRA)	84.394	85,933
Education Jobs Fund	84.410	150,468
Total U.S. Department of Education		<u>769,827</u>
Total Expenditures of Federal Awards		<u>1,018,611</u>

- (1) This program was considered a major program.  
(2) These programs are considered in one cluster

Note - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Unified School District No. 389 and is presented on the cash basis of accounting, and accordingly, represents the total cash expended for each program. It does not include transactions that might be included using the modified accrual basis of accounting which is the basis used in the District's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*.

Reconciliation of federal expenditures to the financial statements:

	Actual Cash Received	Expenditures per Statement 3	Statement for Encumbrances July 1, 2010	June 30, 2011	Expenditures as Presented Above
School Breakfast Program	10.553 \$ 61,178	61,178			61,178
National School Lunch Program	10.555 181,964	181,964			181,964
Payments to States in Lieu of Real Estate Taxes	12.112 5,642	5,642			5,642
Impact Aid	84.041 18,330	18,330			18,330
Title I Grants to Local Educational Agencies	84.010 142,038	138,327	10,077	(5,350)	143,054
Special Education Grants to States	84.027 180,979	180,979			180,979
Special Education Preschool Grants	84.173 6,745	6,745	511		7,256
Education Technology State Grants	84.318 481	481		(363)	118
Improving Teacher Quality	84.367 43,756	43,756	575		44,331
Title I Grants to Local Educational Agencies, Recovery Act (ARRA)	84.389 61,878	61,878		(268)	61,610
Special Education Grants to States, Recovery Act (ARRA)	84.391 75,544	75,544			75,544
Special Education Preschool Grants, Recovery Act (ARRA)	84.392 2,204	2,204			2,204
State Fiscal Stabilization Fund - Education State Grants, Recovery Act (ARRA)	84.394 85,933	85,933			85,933
Education Jobs Fund	84.410 150,468	150,468			150,468
	<u>1,017,140</u>	<u>1,013,429</u>	<u>11,163</u>	<u>(5,981)</u>	<u>1,018,611</u>