

UNIFIED SCHOOL DISTRICT NO. 487
Herington, Kansas

Regulatory Basis Financial Statement and
Independent Auditor's Report

For the Year Ended June 30, 2021

Cindy Jensen, CPA
Certified Public Accountant
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Unified School District No. 487
Herington, Kansas

Regulatory Basis Financial Statement
For the Fiscal Year Ended June 30, 2021

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Independent Auditor's Report

Board of Education
Unified School District No. 487
Herington, Kansas

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Unified School District No. 487, Herington, Kansas, a municipal financial reporting entity, as of and for the year ended June 30, 2021 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my 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 and Accounting Guide. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on the U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, USD 487 prepared this financial statement to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on the U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the U.S. Generally Accepted Accounting Principles" paragraph, 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. 487, Herington as of June 30, 2021, or the changes in its financial position or cash flows for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Unified School District No. 487, Herington, Kansas as of June 30, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, agency funds summary of receipts and disbursements, district activity funds schedule of receipts and expenditures, and related municipal entities-summary of receipts and expenditures-actual and budget (Schedules 1, 2, 3, 4 and 5 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, but are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), and is not a required part of the financial statement. The regulatory required supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the respective basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the regulatory required information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 9, 2022, on my consideration of USD 487's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of USD 487's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering USD 487's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cindy Jensen CPA". The signature is written in a cursive, flowing style.

Cindy Jensen, CPA
Certified Public Accountant
February 9, 2022

Unified School District No. 487
Herington, Kansas

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2021

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Funds						
General	\$ 0	\$ 4,144,298	\$ 4,144,298	\$ 0	\$ 191,411	\$ 191,411
Supplemental General	52,868	1,229,636	1,236,367	46,137	73,622	119,759
Special Purpose Funds						
At Risk (4 Yr Old)	35,055	61,121	60,473	35,703	0	35,703
At Risk	153,892	720,154	711,317	162,729	50,318	213,047
Virtual	73,601	85,510	65,510	93,601	0	93,601
Capital Outlay	493,597	496,845	363,724	626,718	61,185	687,903
Driver Training	13,991	15,240	10,745	18,486	0	18,486
Food Service	57,179	296,262	296,117	57,324	0	57,324
Professional Development	30,155	20,307	20,451	30,011	794	30,805
Parent Education	2,767	83,796	79,748	6,815	0	6,815
Special Education	339,424	769,817	757,098	352,143	0	352,143
Career & Postsecondary	51,209	261,778	235,773	77,214	20,484	97,698
KPERS Retirement	0	415,556	415,556	0	0	0
Contingency Reserve	215,639	12,000	12,404	215,235	12,403	227,638
Recreation Commission	13,993	80,147	78,000	16,140	0	16,140
Title I	0	119,084	119,218	(134)	15,142	15,008
Supporting Effective Instructic	0	20,655	20,655	0	3,372	3,372
Title IV	0	14,513	14,513	0	161	161
Rural & Small Schools	0	4,757	4,757	0	0	0
ESSER	25,000	56,812	249,152	(167,340)	23,054	(144,286)
SPARK	(114,338)	513,348	399,010	0	0	0
Gifts & Grants	21,290	45,952	34,390	32,852	0	32,852
Textbook & Student Material	88,398	71,467	64,202	95,663	425	96,088
District Activity Funds	24,481	72,256	66,239	30,498	0	30,498
Bond & Interest Funds						
Bond & Interest	1,173,402	1,107,241	1,120,045	1,160,598	0	1,160,598
Related Municipal Entities:						
Herington Recreation Comm	63,277	95,027	89,902	68,402	0	68,402
Tri-County Arts Assn	856	0	0	856	0	856
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 2,815,736</u>	<u>\$ 10,813,579</u>	<u>\$ 10,669,664</u>	<u>\$ 2,959,651</u>	<u>\$ 452,371</u>	<u>\$ 3,412,022</u>
				Checking & Sweep accounts		\$ 3,312,266
				Recreation Commission		\$ 68,402
				Tri-County Arts		856
				Herington Elementary		3,982
				Herington Middle		5,100
				Herington High School		56,513
				Total Cash		3,447,119
				Less: Agency Funds per Schedule 3		(35,097)
				Total Reporting Entity (Excluding Agency Funds)		<u>\$ 3,412,022</u>

The accompanying notes are an integral part of this statement.

Unified School District No. 487
Herington, Kansas

Notes to the Financial Statement
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unified School District No. 487 (the District), Herington, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The more significant of the district's accounting policies are described below.

Financial Reporting Entity

Unified School District No. 487 was organized in accordance with State Statutes to provide a system of public education to elementary through high school students who reside within the designated District areas. USD No. 487 is a municipal corporation governed by an elected seven-member board of education. This financial statement presents Unified School District No. 487 and its related municipal entities. The related municipal entities are included in the District's financial reporting entity because they were established to benefit the District and/or its' constituents.

Herington Recreation Commission-The Herington Recreation Commission oversees recreational activities. The recreation commission operates as a separate governing body, but the District levies taxes for the recreation commission and the recreation commission has only the powers granted by statute, K.S.A. 12-1928.

Tri-County Arts Association-The Tri- County Arts Association is a fund that supports arts in the community.

Regulatory Basis Fund Types

The accounts of the District are organized and operated on the basis of funds, which are used to record the District's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the District.

General Funds - the chief operating fund. Used to account for all financial resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.

Bond & Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds, and payments of long-term debt.

Agency funds – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (student organization accounts, etc.)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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.

Reimbursements

USD 487 records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are treated as a budget credit.

Unified School District No. 487
Herington, Kansas

Notes to the Financial Statement
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Use of Estimates

The preparation of a financial statement in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of cash receipts, cash expenditures, cash and unencumbered cash balances at the date of the financial statement. Accordingly, actual results could differ from those estimates.

Ad Valorem Tax Receipts

The determination of assessed valuations and collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with 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. One-half of the property taxes are due December 20 prior to the fiscal year for which they are budgeted and the second half is due the following May 10. This procedure eliminates the need to issue tax anticipation notes since funds will be on hand prior to the beginning of each fiscal year.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

1. Preparation of the budget for the succeeding eighteen month period 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.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The municipality held a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts 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. There were no such amendments this year.

After the above procedures have been followed; the Kansas State Board of Education computes the maximum legal general fund of operating expenses. For the fiscal year ended June 30, 2021, the State calculation of the legal maximum general fund budget was \$4,134,205 and the legal maximum supplemental general fund was \$1,236,367. In accordance with Kansas statutes, a district is penalized state aid equal to the amount expended in excess of the computed statutory limitation plus any qualifying budget credits. The District was within its maximum legal general and supplemental general fund budget authority for the fiscal year ended June 30, 2021.

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 regulatory basis of accounting, in which regulatory basis receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's 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. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, trust funds, and certain special purpose funds as noted in the presentation of the appropriate Schedule 2.

Unified School District No. 487
Herington, Kansas

Notes to the Financial Statement
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Obligations

References made herein to the statutes are not intended as interpretations of law, rather are offered for consideration of the Director of Accounts and Reports, Department of Education, and interpretation by the County Attorney and legal representatives of the municipality.

K.S.A. 10-130 requires the district remit its debt payments to the state at least 20 days prior to the maturity date. The September 1, 2020 payment was received 19 days prior to payment.

K.S.A. 79-2935 requires that expenditures be limited to its' budget authority. The district exceeded its' budget in the Virtual and At-Risk funds.

K.S.A. 10-1113 requires that no indebtedness be created for a fund in excess of available funds in that fund. The ESSER fund was negative at year end. This federal program is on a reimbursement basis and therefore, no violation occurred.

K.S.A. 75-3317 requires that the district make certain purchases from the Kansas industries for the blind and severely disabled. There were no such purchases made.

Management is not aware of any other regulatory violations for the period covered by this audit.

State and Federal Aid Compliance

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the governmental agency. Any disallowed claim resulting from such audit could become a liability of the General Fund or other applicable fund. However, in the opinion of management, any such disallowed claim would not have a material effect on the financial statements of the District at June 30, 2021.

NOTE 3 - DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories that may be used by the District. The statute requires banks eligible to hold the Government's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate or 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 Government'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.

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, 2021.

At June 30, 2021, the carrying amount of the District's deposits was \$3,447,119 and the bank balance was \$3,197,233. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$432,787 was covered by FDIC insurance and the remaining \$2,764,446 was collateralized by pledged securities held under joint custody receipts issued by banks within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka in the District's name.

Unified School District No. 487
Herington, Kansas

Notes to the Financial Statement
June 30, 2021

NOTE 4 – IN SUBSTANCE RECEIPT IN TRANSIT

The District received \$250,173 in the general fund and \$64,869 in the supplemental general fund subsequent to June 30, 2021, 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, 2021.

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in prior years.

NOTE 6 - 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. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603), or by calling 1-888-275-5737.

Contributions - K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contributions depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed on or after Jan 1, 2015. Effective January 1, 2015, Kansas law establishes member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 16.15% and 14.41%, respectively, for the fiscal year ended June 30, 2020. The actuarially determined employer contribution rate and the statutory rate was 15.59% and 14.23% for the year ended June 30, 2021.

Senate Substitute for House Bill 2052 authorized the delay of \$64.1 million for the fiscal year 2017 contributions. These contributions were set up as a long-term receivable. Payment is scheduled to be made in a series of twenty annual payments of \$6.4 million dollars per year beginning in fiscal year 2018. Senate Substitute for House Bill 2002 authorized the delay of \$194.0 million in fiscal year 2019 contributions. Payment is scheduled to be made in a series of twenty annual payments of \$19.4 million starting in fiscal year 2020.

House Substitute for Senate Bill 109 from the 2018 Legislative session provided for additional funding for the KPERS School Group. A payment of \$56 million was paid in fiscal year 2018. This bill also authorized a payment of \$82 million in fiscal year 2019. The 2019 legislative session authorized an additional fiscal year payment for the KPERS School Group. 2019 Senate Bill 9 authorized a payment of \$115 million for the KPERS School Group. House Substitute for Senate Bill 25 from the 2019 Legislative session authorized additional funding for the KPERS School Group in fiscal year 2020 of \$51 million.

The State of Kansas is required to contribute the statutory required employer 's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled \$397,599 for the year ended June 30, 2021.

Unified School District No. 487
Herington, Kansas

Notes to the Financial Statement
June 30, 2021

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONT)

Net Pension Liability

At June 30, 2021, the District's proportionate share of the collective net pension liability reported by KPERS was \$4,406,871. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The District's proportionate share of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2020. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NOTE 7 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences

The District provides compensation for absences. Full-time, twelve month classified employees earn 10 days of vacation leave per year from one to ten years of employment, and 15 days after ten years of continual employment. Vacation leave non-accumulative, and employees will not be reimbursed for unused vacation time. Classified employees also earn two days personal leave per year. The District reimburses for unused personal leave at the substitute teacher base pay. Classified employees are granted 10 days sick leave each year and may accumulate up to a maximum of 60 days. Employees that are eligible for early retirement will be compensated one-half of accumulated sick leave at their regular hourly wages.

Certified employees earn three personal leave days per year. The District will reimburse for any unused personal days at the end of the contract year at the daily rate of substitute teachers. Each full-time certified employee will also be credited with 10 days of sick leave per year and may accumulate up to a maximum of 60 days. Employees that are eligible for early retirement will be compensated one-half of their accumulated sick leave at their regular hourly wage.

Death & Disability Other Post Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended June 30, 2021.

Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

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

Early Retirement Benefits

The District offers early retirement health care benefits for certified employees that are eligible under the criteria defined in the negotiated agreement. The District pays the cost of a single premium for each early retiree and the retiree is responsible for the balance. During the year ended June 30, 2021, the District paid \$52,013 under this plan. Those eligible for this program may receive benefits for up to 10 years but not past the age of 65. The District also pays an early retirement bonus. If the retiree notifies the board by January 1st, the District pays \$100 per year the teacher is employed by the District for four years or more. The amount is \$50 per year if notification takes place by February 1st. During the year the district paid \$10,074 for this benefit.

Unified School District No. 487
Herington, Kansas

Notes to the Financial Statement
June 30, 2021

NOTE 8 - TRANSFERS

Interfund transfers during the fiscal year ended June 30, 2021 consisted of the following:

Transfer From	Transfer To	Amount	Statute
General	Capital Outlay	\$ 195,949	72-5167
General	Driver Training	10,500	72-5167
General	Food Service	60,615	72-5167
General	Professional Dev	15,481	72-5167
General	Parent Education	20,000	72-5167
General	Special Ed	736,257	72-5167
General	Career & Post Secondary	242,000	72-5167
General	Contingency	12,000	72-5167
General	At Risk-4 yr	36,121	72-5167
General	At Risk	538,383	72-5167
General	Virtual	65,510	72-5167
Supplemental General	Parent Education	2,000	72-5143
Supplemental General	Special Ed	12,000	72-5143
Supplemental General	Career & Post Secondary	19,778	72-5143
Supplemental General	Textbook	59,674	72-5143
Supplemental General	At Risk-4 yr	25,000	72-5143
Supplemental General	At Risk	181,771	72-5143

NOTE 9 – BOND REFUNDING

The District issued General Obligation Refunding Series 2019 in the amount of \$11,130,000. This bond issue refunded \$8,230,000 of Series 2013 bonds and \$1,670,000 of Series 2014 bonds. The bond proceeds are held in escrow until the bonds can be called. The outstanding balance of refunded bonds at June 30, 2021 is \$8,230,000 and \$1,670,000, respectively. The debt schedule in Note 10 shows the bonds outstanding after the refunded amount is applied to the Series 2013 and Series 2014 bonds.

NOTE 10 – LONG-TERM DEBT

Lease Agreements

The District entered into a lease agreement with Security Bank for the purchase of asbestos remediation improvements on April 3, 2019. Annual payments were scheduled for ten years. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the district must return the leased property to the lessor. Payments on this lease are made from the capital outlay fund.

The District entered into a lease agreement with KS Statebank for the purchase STEM curriculum on June 25, 2018. Annual payments were scheduled for four years beginning June 25, 2018. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the district must return the leased property to the lessor. Payments on this lease are made from the textbook fund.

Unified School District No. 487
Herington, Kansas

Notes to the Financial Statement
June 30, 2021

NOTE 10 – LONG-TERM DEBT (CONT)

Changes in long-term liabilities for the District for the fiscal year ended June 30, 2021, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Refunding Bonds:									
Series 2013	3.5%-3.75%	12/5/2013	\$ 9,700,000	9/1/2041	\$ 1,470,000	\$ 0	\$ 0	\$ 1,470,000	\$ 53,581
Series 2014	3%-3.375%	1/7/2014	5,770,000	9/1/2028	2,165,000	0	410,000	1,755,000	61,081
Series 2019	2%-3.1%	10/3/2019	11,130,000	9/1/2036	11,130,000	0	295,000	10,835,000	300,383
Capital Leases:									
STEM Curriculum	4.11%	6/25/2018	137,122	7/15/2020	35,099	0	35,099	0	0
Asbestos Removal	3%	4/3/2019	140,000	9/1/2028	1,255,000	0	125,000	1,130,000	35,661
Total Contractual Indebtedness					<u>\$ 16,055,099</u>	<u>\$ 0</u>	<u>\$ 865,099</u>	<u>\$ 15,190,000</u>	<u>\$ 450,706</u>

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

	2022	2023	2024	2025	2026	2027-2031	2032-2036	2037	Total
Principal:									
Series 2013	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,470,000	\$ 0	\$ 0	\$ 1,470,000
Series 2014	420,000	430,000	445,000	460,000	0	0	0	0	1,755,000
Series 2019	285,000	290,000	295,000	305,000	790,000	2,460,000	4,265,000	2,145,000	10,835,000
Asbestos	125,000	130,000	135,000	140,000	145,000	455,000	0	0	1,130,000
Total Prin.	<u>830,000</u>	<u>850,000</u>	<u>875,000</u>	<u>905,000</u>	<u>935,000</u>	<u>4,385,000</u>	<u>4,265,000</u>	<u>2,145,000</u>	<u>15,190,000</u>
Interest									
Series 2013	53,581	53,581	53,581	53,581	53,581	197,196	0	0	465,101
Series 2014	48,631	35,881	22,478	7,763	0	0	0	0	114,753
Series 2019	294,511	288,545	282,255	275,579	262,865	1,115,528	658,596	33,247	3,211,126
Asbestos	32,025	28,200	24,225	20,100	15,825	20,625	0	0	141,000
Total Int.	<u>428,748</u>	<u>406,207</u>	<u>382,539</u>	<u>357,023</u>	<u>332,271</u>	<u>1,333,349</u>	<u>658,596</u>	<u>33,247</u>	<u>3,931,980</u>
Total P&I	<u>\$ 1,258,748</u>	<u>\$ 1,256,207</u>	<u>\$ 1,257,539</u>	<u>\$ 1,262,023</u>	<u>\$ 1,267,271</u>	<u>\$ 5,718,349</u>	<u>\$ 4,923,596</u>	<u>\$ 2,178,247</u>	<u>\$ 19,121,980</u>

NOTE 11 – COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District’s financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2021. Future potential impacts may include a decrease in certain revenues and temporary closures.

Unified School District No. 487
Herington, Kansas

Notes to the Financial Statement
June 30, 2021

NOTE 12 - SPARK & ESSER

As a result of COVID-19, the State of Kansas has received Coronavirus Relief Funds (CRF) under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The CRF were passed through to the counties of Kansas through Strengthening People and Revitalizing Kansas (SPARK). SPARK's first round distribution was to local governments in the amount of \$400 million. The District received CRF in the amount of \$513,348 during fiscal year 2021. The CRF are to be used to strengthen health, to allow the economy to reopen safely and to remain open. The goals are to be fair, impactful and timely. Additional information and updates on SPARK, the CARES Act and CRF, which includes audit requirements, can be found at <https://covid.ks.gov/>.

The CARES Act also included Elementary and Secondary School Emergency Relief (ESSER) Funds for K-12 schools. The ESSER grants will provide school districts with emergency relief funds to address the impact COVID19 has had on elementary and secondary schools. It is being allocated to the Districts in three phases, ESSER I, II, and III. The ESSER I under the Cares Act began in March 2020, the ESSER II under the CRRSA Act began in December 2020, and the ESSER III under the ARP Act began in March 2021. The District was allocated \$81,812 for ESSER I, \$409,256 for ESSER II, and \$919,779 for ESSER III. As of June 30, 2021 the District has expended \$81,812 of ESSER I and \$167,340 of ESSER II funds.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of this report, which is the date that the financial statement was available to be issued.

REGULATORY-REQUIRED

SUPPLEMENTARY INFORMATION

Unified School District No. 487
Herington, Kansas

Schedule 1

Schedule of Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

Funds	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Funds						
General	\$ 4,174,027	\$ (39,822)	\$ 10,093	\$ 4,144,298	\$ 4,144,298	\$ 0
Supplemental General	1,245,978	(9,611)	0	1,236,367	1,236,367	0
Special Purpose Funds						
At Risk (4 yr old)	80,730			80,730	60,473	(20,257)
At Risk	682,922			682,922	711,317	28,395
Virtual	51,468			51,468	65,510	14,042
Capital Outlay	748,275			748,275	363,724	(384,551)
Driver Training	10,766			10,766	10,745	(21)
Food Service	385,726			385,726	296,117	(89,609)
Professional Development	40,915			40,915	20,451	(20,464)
Parent Education	81,223			81,223	79,748	(1,475)
Special Education	849,465			849,465	757,098	(92,367)
Career & Postsecondary	332,107			332,107	235,773	(96,334)
KPERs Retirement	482,796			482,796	415,556	(67,240)
Recreation Commission	78,000			78,000	78,000	0
Bond & Interest Funds						
Bond & Interest	1,120,046			1,120,046	1,120,045	(1)
Related Municipal Entity						
Herington Recreation Comm	155,277			155,277	89,902	(65,375)

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-A

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

GENERAL FUND

	Actual	Budget	Variance Over (Under)
Receipts:			
Dickinson & Morris County	\$ 43	\$ 0	\$ 43
State Aid	3,691,905	3,656,939	34,966
Special Ed Pass Through	442,257	517,088	(74,831)
Reimbursed & misc income	10,093	0	10,093
Total Receipts	4,144,298	4,174,027	(29,729)
Expenditures			
Instruction	901,509	1,117,910	(216,401)
Student Support	116,943	122,945	(6,002)
Instructional Support	67,773	77,769	(9,996)
General Administration	274,777	276,546	(1,769)
School Administration	324,741	334,515	(9,774)
Central Services	24	6,750	(6,726)
Operations & Maintenance	525,715	702,796	(177,081)
Operating Transfers	1,932,816	1,534,796	398,020
Adjustment to Comply with Legal Max		(39,822)	39,822
Total legal general fund budget	4,144,298	4,134,205	10,093
Adjustment for qualifying budget credits	0	10,093	(10,093)
Total Expenditures	4,144,298	\$ 4,144,298	\$ 0
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, July 1	0		
Unencumbered Cash, June 30	\$ 0		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-B

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

SUPPLEMENTAL GENERAL FUND

	Actual	Budget	Variance Over (Under)
Receipts:			
Dickinson & Morris County	\$ 450,230	\$ 407,645	\$ 42,585
State Aid	779,406	785,465	(6,059)
Other	0	0	0
Total Receipts	1,229,636	1,193,110	36,526
Expenditures			
Instruction	579,012	702,952	(123,940)
Student Support	7,744	4,000	3,744
Instructional Support	131,988	145,489	(13,501)
General Administration	7,448	3,500	3,948
School Administration	6,815	2,500	4,315
Central Services	86,650	66,538	20,112
Operations & Maintenance	2,764	0	2,764
Student Transportation	113,723	138,484	(24,761)
Operating Transfers	300,223	182,515	117,708
Adjustment to Comply with Legal Max	0	(9,611)	9,611
Total legal supplemental general fund budget	1,236,367	1,236,367	0
Adjustment for qualifying budget credits	0	0	0
Total Expenditures	1,236,367	\$ 1,236,367	\$ 0
Receipts Over (Under) Expenditures	(6,731)		
Unencumbered Cash, July 1	52,868		
Unencumbered Cash, June 30	\$ 46,137		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-C

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

AT RISK (4 YR OLD)

	Actual	Budget	Variance Over (Under)
Receipts:			
Operating Transfers	\$ 61,121	\$ 45,690	\$ 15,431
Other	0	0	0
Total Receipts	61,121	45,690	15,431
Expenditures			
Instruction	43,936	80,730	(36,794)
Student Support	67	0	67
Instruction Support	720	0	720
Student Transportation	15,750	0	15,750
Total Expenditures	60,473	\$ 80,730	\$ (20,257)
Receipts Over (Under) Expenditures	648		
Unencumbered Cash, July 1	35,055		
Unencumbered Cash, June 30	\$ 35,703		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-D

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

AT RISK

	Actual	Budget	Variance Over (Under)
Receipts:			
Operating Transfers	\$ 720,154	\$ 592,142	\$ 128,012
Other Receipts	0	0	0
Total Receipts	720,154	592,142	128,012
Expenditures			
Instruction	603,739	574,650	29,089
Student Support	62,190	59,291	2,899
Instruction Support	500	0	500
School Administration	43,764	43,981	(217)
Student Transportation	1,124	5,000	(3,876)
Total Expenditures	711,317	<u>\$ 682,922</u>	<u>\$ 28,395</u>
Receipts Over (Under) Expenditures	8,837		
Unencumbered Cash, July 1	<u>153,892</u>		
Unencumbered Cash, June 30	<u>\$ 162,729</u>		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-E

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

VIRTUAL

	Actual	Budget	Variance Over (Under)
Receipts:			
Other Receipts	\$ 20,000	\$ 20,000	\$ 0
Operating Transfers	65,510	51,418	14,092
Total Receipts	85,510	71,418	14,092
Expenditures			
Instruction	65,510	51,468	14,042
Other	0	0	0
Total Expenditures	65,510	\$ 51,468	\$ 14,042
Receipts Over (Under) Expenditures	20,000		
Unencumbered Cash, July 1	73,601		
Unencumbered Cash, June 30	\$ 93,601		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-F

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

CAPITAL OUTLAY

	Actual	Budget	Variance Over (Under)
Receipts:			
Dickinson & Morris County	\$ 198,155	\$ 186,092	\$ 12,063
State Aid	95,335	95,821	(486)
Other Receipts	7,406	22,000	(14,594)
Operating Transfers	195,949	43,343	152,606
Total Receipts	496,845	347,256	149,589
Expenditures			
Capital Outlay	203,063	587,500	(384,437)
Lease principal & interest	160,661	160,775	(114)
Total Expenditures	363,724	\$ 748,275	\$ (384,551)
Receipts Over (Under) Expenditures	133,121		
Unencumbered Cash, July 1	493,597		
Unencumbered Cash, June 30	\$ 626,718		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-G

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

DRIVER TRAINING

	Actual	Budget	Variance Over (Under)
Receipts:			
State Aid	\$ 2,040	\$ 1,500	\$ 540
Other Receipts	2,700	0	2,700
Operating Transfers	10,500	0	10,500
Total Receipts	15,240	1,500	13,740
Expenditures			
Instruction	9,948	10,016	(68)
Vehicle Operation	797	750	47
Total Expenditures	10,745	\$ 10,766	\$ (21)
Receipts Over (Under) Expenditures	4,495		
Unencumbered Cash, July 1	13,991		
Unencumbered Cash, June 30	\$ 18,486		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-H

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

FOOD SERVICE

	Actual	Budget	Variance Over (Under)
Receipts:			
State Aid	\$ 2,422	\$ 4,812	\$ (2,390)
Federal Aid	223,574	217,709	5,865
Meal Receipts	9,651	71,745	(62,094)
Operating Transfers	60,615	50,178	10,437
Total Receipts	296,262	344,444	(48,182)
Expenditures			
Food Service	296,117	385,726	(89,609)
Other	0	0	0
Total Expenditures	296,117	\$ 385,726	\$ (89,609)
Receipts Over (Under) Expenditures	145		
Unencumbered Cash, July 1	57,179		
Unencumbered Cash, June 30	\$ 57,324		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-I

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

PROFESSIONAL DEVELOPMENT

	Actual	Budget	Variance Over (Under)
Receipts:			
State Aid	\$ 4,826	\$ 4,950	\$ (124)
Operating Transfers	15,481	15,000	481
Total Receipts	20,307	19,950	357
Expenditures			
Professional Development	20,451	40,915	(20,464)
Other	0	0	0
Total Expenditures	20,451	\$ 40,915	\$ (20,464)
Receipts Over (Under) Expenditures	(144)		
Unencumbered Cash, July 1	30,155		
Unencumbered Cash, June 30	\$ 30,011		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-J

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

PARENT EDUCATION

	Actual	Budget	Variance Over (Under)
Receipts:			
State Aid	\$ 48,796	\$ 48,796	\$ 0
Other Receipts	13,000	13,000	0
Operating Transfers	<u>22,000</u>	<u>17,000</u>	<u>5,000</u>
Total Receipts	83,796	78,796	5,000
Expenditures			
Student Support	77,850	80,044	(2,194)
Instructional Support	<u>1,898</u>	<u>1,179</u>	<u>719</u>
Total Expenditures	<u>79,748</u>	<u>\$ 81,223</u>	<u>\$ (1,475)</u>
Receipts Over (Under) Expenditures	4,048		
Unencumbered Cash, July 1	<u>2,767</u>		
Unencumbered Cash, June 30	<u>\$ 6,815</u>		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-K

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

SPECIAL EDUCATION

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Receipts:			
Other Receipts	\$ 14,387	\$ 0	\$ 14,387
Federal Aid - ESSER	7,173	0	7,173
Operating Transfers	<u>748,257</u>	<u>617,088</u>	<u>131,169</u>
Total Receipts	769,817	617,088	152,729
Expenditures			
Instruction	714,361	796,060	(81,699)
General Administration	20	0	20
Operations and Maintenance	60	150	(90)
Transportation	<u>42,657</u>	<u>53,255</u>	<u>(10,598)</u>
Total Expenditures	<u>757,098</u>	<u>\$ 849,465</u>	<u>\$ (92,367)</u>
Receipts Over (Under) Expenditures	12,719		
Unencumbered Cash, July 1	<u>339,424</u>		
Unencumbered Cash, June 30	<u>\$ 352,143</u>		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-L

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

CAREER AND POSTSECONDARY EDUCATION

	Actual	Budget	Variance Over (Under)
Receipts:			
State Aid	\$ 0	\$ 0	\$ 0
Federal Aid	0	0	0
Other Receipts	0	0	0
Operating Transfers	261,778	285,452	(23,674)
Total Receipts	261,778	285,452	(23,674)
Expenditures			
Instruction	222,662	306,726	(84,064)
Instruction Support	746	2,500	(1,754)
School Administration	396	0	396
Operations & Maintenance	60	0	60
Transportation	11,909	20,381	(8,472)
Other Support	0	2,500	(2,500)
Total Expenditures	235,773	\$ 332,107	\$ (96,334)
Receipts Over (Under) Expenditures	26,005		
Unencumbered Cash, July 1	51,209		
Unencumbered Cash, June 30	\$ 77,214		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-M

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

KPERS RETIREMENT

	Actual	Budget	Variance Over (Under)
Receipts:			
KPERS Employer Contributions	\$ 415,556	\$ 482,796	\$ (67,240)
Transfer from General	0	0	0
Total Receipts	415,556	482,796	(67,240)
Expenditures			
KPERS Employee Benefits	415,556	482,796	(67,240)
Other	0	0	0
Total Expenditures	415,556	\$ 482,796	\$ (67,240)
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, July 1	0		
Unencumbered Cash, June 30	\$ 0		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-N

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2021

CONTINGENCY RESERVE

	Current Year Actual
Receipts:	
Operating Transfers	\$ 12,000
Other Receipts	0
Total Receipts	12,000
Expenditures	
Heating bill	12,404
Other	0
Total Expenditures	12,404
Receipts Over (Under) Expenditures	(404)
Unencumbered Cash, July 1	215,639
Unencumbered Cash, June 30	\$ 215,235

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-O

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

RECREATION COMMISSION

	Actual	Budget	Variance Over (Under)
Receipts:			
Dickinson & Morris County	\$ 80,147	\$ 75,229	\$ 4,918
Other Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Total Receipts	80,147	75,229	4,918
Expenditures			
Appropriations	78,000	78,000	0
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>78,000</u>	<u>\$ 78,000</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	2,147		
Unencumbered Cash, July 1	<u>13,993</u>		
Unencumbered Cash, June 30	<u>\$ 16,140</u>		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-P

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2021

	TITLE I	SUPPORTING EFFECTIVE INSTRUCTION	TITLE IVA	SMALL & RURAL SCHOOL	ESSER	SPARK
Receipts:						
Federal Aid	\$ 119,084	\$ 20,655	\$ 14,513	\$ 4,757	\$ 56,812	\$ 513,348
Other Receipts	0	0	0	0	0	0
Total Receipts	119,084	20,655	14,513	4,757	56,812	513,348
Expenditures						
Program expenditures	119,218	20,655	14,513	4,757	249,152	399,010
Other	0	0	0	0	0	0
Total Expenditures	119,218	20,655	14,513	4,757	249,152	399,010
Receipts Over (Under) Expenditures	(134)	0	0	0	(192,340)	114,338
Unencumbered Cash, July 1	0	0	0	0	25,000	(114,338)
Unencumbered Cash, June 30	\$ (134)	\$ 0	\$ 0	\$ 0	\$ (167,340)	\$ 0

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2021

Schedule 2-Q

GIFTS AND GRANTS

	Current Year Actual
Receipts:	
Gifts & Grants	\$ 37,491
Federal aid	8,461
Total Receipts	45,952
Expenditures	
Instruction & Programs	25,929
Federal expenditures	8,461
Total Expenditures	34,390
Receipts Over (Under) Expenditures	11,562
Unencumbered Cash, July 1	21,290
Unencumbered Cash, June 30	\$ 32,852

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2021

Schedule 2-R

TEXTBOOK AND STUDENT MATERIALS

	Current Year Actual
Receipts:	
Fees & Donations	\$ 11,793
Operating Transfers	<u>59,674</u>
Total Receipts	71,467
Expenditures	
Textbooks and Materials	<u>64,202</u>
Total Expenditures	<u>64,202</u>
Receipts Over (Under) Expenditures	7,265
Unencumbered Cash, July 1	<u>88,398</u>
Unencumbered Cash, June 30	<u><u>\$ 95,663</u></u>

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 2-S

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

BOND & INTEREST

	Actual	Budget	Variance Over (Under)
Receipts:			
Dickinson & Morris County	\$ 513,617	\$ 479,910	\$ 33,707
State Aid	593,624	593,624	0
Other Receipts	0	0	0
Total Receipts	1,107,241	1,073,534	33,707
Expenditures			
Bond payments	1,120,045	1,120,046	(1)
Other	0	0	0
Total Expenditures	1,120,045	\$ 1,120,046	\$ (1)
Receipts Over (Under) Expenditures	(12,804)		
Unencumbered Cash, July 1	1,173,402		
Unencumbered Cash, June 30	\$ 1,160,598		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 3

Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended June 30, 2021

AGENCY FUNDS

	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Herington High School				
Cheerleaders	\$ 2,689	\$ 0	\$ 142	\$ 2,547
CTST	348	4,044	4,220	172
Freshman	2,320	1,999	2,320	1,999
Sophomores	3,838	0	1,518	2,320
Juniors	2,570	91	1,732	929
Seniors	2,850	2,024	3,630	1,244
Dance Team	1,048	1,100	371	1,777
Drama Club	4,059	71	150	3,980
Engineer Ink	1,705	3,395	3,629	1,471
FBLA	1,238	3,000	2,128	2,110
FCCLA	699	3,021	2,828	892
FFA	5,895	2,667	4,083	4,479
Forensics Club	248	0	100	148
HOSA	4,039	596	556	4,079
National Honor Society	687	2,987	2,947	727
Stuco	4,155	0	892	3,263
Sales Tax	22	3,807	3,829	0
	<u>38,410</u>	<u>28,802</u>	<u>35,075</u>	<u>32,137</u>
Herington Middle School				
Cheer	596	445	543	498
8th grade	1,874	174	1,874	174
Student Council	1,379	3,367	2,458	2,288
Sales Tax	0	505	505	0
	<u>3,849</u>	<u>4,491</u>	<u>5,380</u>	<u>2,960</u>
Total Agency Funds	<u>\$ 42,259</u>	<u>\$ 33,293</u>	<u>\$ 40,455</u>	<u>\$ 35,097</u>

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 4

Schedule of Receipts and Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2021

DISTRICT ACTIVITY FUNDS

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts/Athletics						
Herington High	\$ 4,445	\$ 35,822	\$ 34,348	\$ 5,919	\$ 0	\$ 5,919
Herington Middle	229	8,723	8,723	229	0	229
	<u>4,674</u>	<u>44,545</u>	<u>43,071</u>	<u>6,148</u>	<u>0</u>	<u>6,148</u>
School Projects						
Herington High						
Band	4,476	6,014	4,528	5,962	0	5,962
Library	681	124	0	805	0	805
Yearbook	2,045	10,503	8,248	4,300	0	4,300
Vocal	208	0	0	208	0	208
Art	0	463	463	0	0	0
Metals	0	817	817	0	0	0
Photo	0	153	153	0	0	0
Woods	0	1,303	1,303	0	0	0
Misc	0	13	13	0	0	0
Banners	324	0	110	214	0	214
NSF	166	35	10	191	0	191
Staff	919	1,046	1,383	582	0	582
Student Activity	4,331	5,146	3,282	6,195	0	6,195
Herington Middle						
Library	66	45	0	111	0	111
Misc	0	7	7	0	0	0
Staff	100	27	125	2	0	2
Student Activity	1,839	173	214	1,798	0	1,798
Herington Elementary						
Library	1,256	39	198	1,097	0	1,097
Misc	18	0	0	18	0	18
Staff	152	155	266	41	0	41
Student Activity	3,226	1,648	2,048	2,826	0	2,826
	<u>19,807</u>	<u>27,711</u>	<u>23,168</u>	<u>24,350</u>	<u>0</u>	<u>24,350</u>
Total Activity Funds	<u>\$ 24,481</u>	<u>\$ 72,256</u>	<u>\$ 66,239</u>	<u>\$ 30,498</u>	<u>\$ 0</u>	<u>\$ 30,498</u>

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 5-A

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

RELATED MUNICIPAL ENTITY
HERINGTON RECREATION COMMISSION

	Actual	Budget	Variance Over (Under)
Receipts:			
USD 487	\$ 78,000	\$ 78,000	\$ 0
Interest	45	0	45
Other receipts	448	0	448
Fees & User Charges	<u>16,534</u>	<u>14,000</u>	<u>2,534</u>
Total Receipts	95,027	92,000	3,027
Expenditures			
Programs & Activities	9,981	16,000	(6,019)
Fees	2,410	2,400	10
Insurance	3,318	4,000	(682)
Capital Outlay	28,504	74,877	(46,373)
Wages & taxes	33,688	45,000	(11,312)
Supplies & Maintenance	10,143	8,500	1,643
Utilities	<u>1,858</u>	<u>4,500</u>	<u>(2,642)</u>
Total Expenditures	<u>89,902</u>	<u>\$ 155,277</u>	<u>\$ (65,375)</u>
Receipts Over (Under) Expenditures	5,125		
Unencumbered Cash, July 1	<u>63,277</u>		
Unencumbered Cash, June 30	<u>\$ 68,402</u>		

See accompanying auditor's report.

Unified School District No. 487
Herington, Kansas

Schedule 5-B

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2021

RELATED MUNICIPAL ENTITY
TRI-COUNTY ARTS ASSOCIATION

	Current Year Actual
Receipts:	
Fees Collected	\$ 0
Other	0
Total Receipts	0
Expenditures	
Program Activities	0
Total Expenditures	0
Receipts Over (Under) Expenditures	0
Unencumbered Cash, July 1	856
Unencumbered Cash, June 30	\$ 856

See accompanying auditor's report.

Cindy Jensen

Certified Public Accountant

218 W Main
Council Grove, KS 66846

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

Board of Education
Unified School District No. 487
Herington, KS 67449

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide, the financial statement of Unified School District No. 487, Herington, Kansas, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Unified School District No. 487's basic financial statement, and have issued my report thereon dated February 9, 2022. My report on the financial statement disclosed that, as described in Note 1 to the financial statement, Unified School District No. 487 prepares its financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statement, I considered Unified School District No. 487's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Unified School District No. 487's internal control. Accordingly, I do not express an opinion on the effectiveness of the Unified School District No. 487's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, that I consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Unified School District No. 487's financial statement is free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

USD 487's Response to Findings

The district's response to the finding identified in my audit is described in the accompany schedule of findings and questioned costs. USD 487's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cindy Jensen CPA". The signature is written in a cursive, flowing style.

Cindy Jensen
Certified Public Accountant
Council Grove, Kansas
February 9, 2022

Cindy Jensen

Certified Public Accountant

218 W Main
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Unified School District No. 487
Herington, KS 67449

Report on Compliance for Each Major Federal Program

I have audited Unified School District No. 487, Herington, Kansas' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Unified School District No. 487's major federal programs for the year ended June 30, 2021. Unified School District No. 487's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Unified School District No. 487's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 have occurred. An audit includes examining, on a test basis, evidence about the Unified School District No. 487's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination Unified School District No. 487's compliance.

Opinion on Each Major Federal Program

In my opinion, Unified School District No. 487 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Unified School District No. 487 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit, I considered Unified School District No. 487's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Unified School District No. 487'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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cindy Jensen CPA". The signature is written in a cursive, flowing style.

Cindy Jensen
Certified Public Accountant
Council Grove, Kansas
February 9, 2022

Unified School District No. 487
Herington, Kansas

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Rural and Low-Income School Program (REAP)	84.358		\$ 4,757
Passed through from the Kansas Department of Education:			
Title I	84.010A	n/a	119,218
Supporting Effective Instruction	84.367A	n/a	20,655
Title IVA	84.424A	n/a	14,513
ESSER I & II-COVID 19	84.425D	n/a	256,325
Total passed through from KSDE			<u>410,711</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			415,468
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from the Kansas Department of Education:			
Child Nutrition Cluster:			
Summer Food Service Program	10.559	n/a	176,821
National School Lunch Program-COVID-19	10.555	n/a	46,753
Total Child Nutrition Cluster			<u>223,574</u>
U.S. Department of Health & Human Services			
Temporary Assistance for Needy Families-Early Learning	93.558	n/a	8,461
DEPARTMENT OF THE TREASURY			
Passed through Lyon County, Kansas			
Coronavirus Relief Fund-COVID 19	21.019	n/a	\$ 399,010
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,046,513</u></u>

See the accompanying auditor's report and notes to the schedule of expenditures of federal awards.

Unified School District No. 487
Herington, Kansas

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Unified School District No 487, Herington, Kansas under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District. The Schedule is presented using a regulatory basis of accounting prescribed by the Kansas Municipal Audit and Accounting Guide (as described in Note 1 to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the State of Kansas regulatory basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Unified School District No. 487
Herington, Kansas

Schedule of Findings and Questioned Costs
June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

In accordance with Generally Accepted Accounting Principles
In accordance with the Kansas Regulatory basis of accounting as described
in Note 1 to the financial statement

Adverse

Unmodified

Internal control over financial reporting:

Material weakness identified?

X

YES

NO

Significant deficiency identified?

YES

X

None reported

Noncompliance material to the financial statement noted?

YES

X

NO

FEDERAL AWARDS

Internal control over major programs:

Material weakness identified?

YES

X

NO

Significant deficiency identified?

YES

X

None reported

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance
with 2 CFR 200.516(a)?

YES

X

NO

Identification of major programs:

CFDA 21.019 Coronavirus Relief

CFDA 84.367A Supporting Effective Instruction

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

YES

X

NO

Unified School District No. 487
Herington, Kansas

Schedule of Findings and Questioned Costs
June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001

Condition : The district check writing software prints checks and includes the signatures of authorized signers.

Criteria : Internal controls should be in place to restrict check processing.

Effect : A check could be written and negotiated without the authorized signers consent.

Cause : The district program uses a default setup to print all signatures.

Recommendation : Checks should be signed with a live signature or program specific controls should be in place that ensure that the signer has approved the check prior to printing checks.

Views of Responsible Officials and Planned Corrective Actions : We agree with the recommendation. We are taking off the s-sign option for the checks and will sign each check individually. If we ever put the option back on, we will include a live signature by the Board President.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Coronavirus Relief Fund 21.019-There were no reportable findings.

Supporting Effective Instruction 84.367A-There were no reportable findings.