USD 378 Riley County

Financial Statement
For the Year Ended June 30, 2023

With Report by Independent Auditors

KIENTZ & PENICK
CPAs, LLC

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KIENTZ & PENICK
CPAs, LLC

To the Board of Education
USD 378 Riley County
204 W Kansas
Riley, KS 66531

September 15, 2023

Independent Auditor's Report

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of USD 378 Riley County (the District) as of and for the year ended June 30, 2023 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse and Unmodified Opinions* section of our report, the accompanying 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 the District, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District, 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 (KMAAG)* described in Note 1.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, KMAAG, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the District on the basis of the financial reporting provisions of KMAAG, 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.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of this financial statement in accordance with the KMAAG 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

Eric Kientz
CPA, CMA, CNAP
Senior Audit Partner
(785) 477-9053
Eric@KPMHK.CPA

PO Box 754
Manhattan, KS 66505

KPMHK.CPA

Taylor Penick
CPA, CNAP
Managing Partner
(785) 817-7716
Taylor@KPMHK.CPA

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.
In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement
Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with generally accepted auditing standards, KMAAG and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information – In Relation to the Basic Financial Statement
Our 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 regulatory-required supplementary information (RRSI) as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statement. The RRSI, however, is required to be presented under the provisions of KMAAG. Such information is the responsibility of management and was 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 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 our opinion, the RRSI is 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.

Supplementary Information – Schedule 2 Prior Year Actual Column

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and KMAAG, the basic financial statement of the District as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated September 7, 2022, which contained an unmodified opinion on the basic financial statement. The 2022 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accountsreports/local-government/municipal-services.

The 2022 actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended June 30, 2023 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement.

Such 2022 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 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 2022 basic financial statement or to the 2022 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2022 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2022, on the basis of accounting described in Note 1.

Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The 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 statements directly, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, KMAAG and *Government Auditing Standards*. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023 on our consideration of the District'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 solely 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 effectiveness of the District'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 the District's internal control over financial reporting and compliance.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Funds						
General	$ -	$ 6,113,147	$ 6,113,147	$ -	$ 35,182	$ 35,182
Supplemental General	103,796	1,861,994	1,833,605	132,185	19,334	151,519
Special Purpose Funds						
Budgeted						
Preschool-Aged At-Risk	-	35,105	21,851	13,254	109	13,363
At-Risk (K-12)	352,899	415,630	300,006	468,523	-	468,523
Capital Outlay	1,826,984	787,450	732,867	1,881,567	204,493	2,086,060
Driver Training	25,951	25,200	13,355	37,796	-	37,796
Food Service	159,583	448,636	449,987	158,232	-	158,232
Professional Development	39,774	57,376	35,112	62,038	-	62,038
Special Education	958,859	1,374,941	1,066,488	1,267,312	-	1,267,312
Career and Postsecondary Education	178,549	435,069	240,806	372,812	-	372,812
KPERS Special Retirement Contribution	-	597,601	597,601	-	-	-
Non-Budgeted						
Gifts and Grants	116,715	48,024	52,456	112,283	32,670	144,953
Title I Low Income	-	88,764	88,764	-	-	-
Title IIA Supporting Effective Instruction	-	25,381	25,381	-	-	-
Title IV Student Support	-	13,804	13,804	-	-	-
K-12 ELC Health Grant	(39,052)	98,939	167,545	(107,658)	-	(107,658)
ESSER II	15,185	91,077	107,082	(820)	13,142	12,322
ESSER III	-	440,997	441,094	(97)	13,734	13,637
Contingency Reserve	909,000	50,000	-	959,000	-	959,000
Textbook and Revolving	240,001	253,375	31,599	461,777	2,736	464,513
District Activities	29,887	90,117	82,751	37,253	-	37,253
Small Rural School Program	-	3,622	3,622	-	-	-
Bond and Interest Fund						
Bond and Interest	1,506,565	1,272,725	968,932	1,810,358	-	1,810,358
Capital Project Fund						
2019 Bond	660,014	14,946	674,960	-	68,527	68,527
Total Reporting Entity (Excluding Agency Funds)	$ 7,084,710	$ 14,643,920	$ 14,062,815	$ 7,665,815	$ 389,927	$ 8,055,742

Composition of Ending Cash Balance	
Checking accounts	$ 2,478,602
Money market accounts and certificates of deposit	6,000,261
Total Ending Cash Balance	8,478,863
Less: Agency Funds per Schedule 3	(423,121)
Total Reporting Entity (Excluding Agency Funds)	$ 8,055,742

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

USD 378 Riley County (the District) is a municipal corporation governed by an elected seven-member board of education. The regulatory financial statement presents the financial information of the District's regulatory basis fund types as listed below.

Regulatory Basis Fund Type	Description
General Fund	Used to account for all resources except those required to be accounted for in another fund.
Special Purpose Fund	Used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.
Bond and Interest Fund	Used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.
Capital Project Fund	Used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.
Agency Fund	Funds used to report assets held by the municipal reporting entity in a purely custodial capacity (student activity funds, payroll clearing fund, etc.)

Regulatory Basis of Accounting and Departure from U.S. GAAP

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 accounting principles generally accepted in the United States (U.S. GAAP) and allowing the District to use the regulatory basis of accounting.

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

If the District 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 District did hold a revenue neutral rate hearing for year ended June 30, 2023.

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

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 budget amendments for this year.

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 regulatory 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 District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, agency funds, and the non-budgeted special purpose funds as listed on the financial statement. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by using internal spending limits established by the governing body.

Note 2: 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, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

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

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. Kansas 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 peak periods and all deposits were legally secured on June 30, 2023.

At June 30, 2023, the District's carrying amount of deposits was $8,478,863 and the bank balance was $8,904,634. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining $8,654,634 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Note 3: Capital Projects

Capital project authorizations with approved change orders compared with expenditures from inception through June 30, 2023 are as follows:

	Project Authorization	Expenditures to Date
2019 Bond Projects	$ 15,500,000	$ 15,500,000

Grade school project authorizations include 18,210 square feet of new kindergarten classrooms, a new gym and an elevator, as well as security improvements to the building's entrance.

High school project authorizations include maintenance improvements, enhanced security fencing and gates around the school's building, and resurfacing of the parking lot.

Other project authorizations include a water tank for a fire suppression system.

Note 4: Long-Term Debt

Changes in long-term debt obligations of the District for the year ended June 30, 2023 were as follows:

Issue	Beginning of Year	Additions	Reductions/ Payments	End of Year	Interest Paid
GO Bonds Series 2019	$ 14,135,000	$ -	$ 540,000	$ 13,595,000	$ 428,932

GO Bonds Series 2019. General Obligation (GO) Bonds Series 2019 were originally issued on December 20, 2019 in the amount of $14,355,000 bearing interest in the range of 2.00 to 4.00% with a final maturity of September 1, 2040. These bonds were issued in order to provide necessary funding for facility improvements at the high school and grade school locations as described above in Note 3.

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

Due in Fiscal Year	Principal	Interest	Total
2024	$ 560,000	$ 406,932	$ 966,932
2025	585,000	384,032	969,032
2026	605,000	360,232	965,232
2027	630,000	335,532	965,532
2028	655,000	309,832	964,832
2029 to 2033	3,655,000	1,192,129	4,847,129
2034 to 2038	4,135,000	707,199	4,842,199
2039 to 2041	2,770,000	126,300	2,896,300
	$ 13,595,000	$ 3,822,188	$ 17,417,188

Note 5: Interfund Transfers

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
General	Driver Training	K.S.A. 72-5167	$ 4,000
General	Food Service	K.S.A. 72-5167	2,865
General	Professional Development	K.S.A. 72-5167	12,000
General	Special Education	K.S.A. 72-5167	1,060,000
General	Career and Postsecondary Education	K.S.A. 72-5167	218,889
General	Contingency Reserve	K.S.A. 72-5167	50,000
General	Textbook and Revolving	K.S.A. 72-5167	75,000
General	Preschool-Aged At-Risk	K.S.A. 72-5167	35,105
General	At-Risk (K-12)	K.S.A. 72-5167	310,022
Supplemental General	Driver Training	K.S.A. 72-5143	10,000
Supplemental General	Food Service	K.S.A. 72-5143	5,000
Supplemental General	Professional Development	K.S.A. 72-5143	40,000
Supplemental General	Special Education	K.S.A. 72-5143	295,644
Supplemental General	Career and Postsecondary Education	K.S.A. 72-5143	216,180
Supplemental General	Textbook and Revolving	K.S.A. 72-5143	120,000
Supplemental General	At-Risk (K-12)	K.S.A. 72-5143	100,000
			$ 2,554,705

Note 6: Other Long-Term Obligations from Operations

Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level 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 District (a) 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.

Death and 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, 2023.

Compensated Absences for Non-Certified Employees

Non-certified employees that work the academic school year are credited with ten sick days per year. Employees that work the fiscal school year are credited with twelve sick days per year. All employees are limited to a maximum accumulation of eighty sick days. A maximum of 5 days bereavement leave per year may be taken each year. Two days of personal leave per year will be granted to cooks, custodians and clerical help who work 25 or more hours per week on a regular basis. The same classification of employees who work less than 25 hours per week on a regular basis, and regularly employed bus drivers, will be granted 2 days of personal leave per year. Full-time employees of the District will be entitled to 2 weeks' vacation with pay after 1 year of continuous employment.

Compensated Absences for Certified Employees

Certified employees receive 9 days per year of sick leave and may accumulate to a maximum of 80 days. A maximum of 5 days bereavement leave per year may be taken each year. Three days of personal leave per year will be granted but will not be accumulated. However, should one personal day be left at the end of the school year, it will be added to the employee's sick leave.

Note 7: 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 contribution rates 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 in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 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 and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 14.83% and 13.33%, respectively, for the fiscal year ended June 30, 2022. The actuarially determined employer contribution rate and the statutory contribution rate was 13.88% and 13.11% for the fiscal year ended June 30, 2023.

Senate Substitute for House Bill 2052 authorized the delay of $64.1 million in 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 2021 Legislature passed House Bill 2405, which authorized the State of Kansas to issue bonds with net proceeds of $500 million to fund a portion of the KPERS School Group unfunded actuarial liability. Senate Bill 159 recertified the State/School contribution rates for Fiscal Years 2022 and 2023. Fiscal Year 2022 was recertified from 14.09% to 13.33% and Fiscal Year 2023 from 13.86% to 13.11%. The bond proceeds were received by KPERS on August 26, 2021. The 2022 Legislature passed Senate Bill 421, which authorized the State of Kansas to transfer $1.125 billion from the State General Fund directly to KPERS in Fiscal Years 2022 and 2023. The first $253.9 million pays off the outstanding accounts receivable for KPERS-School employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019, discussed previously, while the remaining $871.1 million is applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2022, $600 million was transferred to KPERS. In Fiscal Year 2023, Senate Bill 421 authorizes two additional transfers which total $271 million.

Note 7: Defined Benefit Pension Plan (Continued)

Contributions (Continued)

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 $597,601 for the year ended June 30, 2023.

Net Pension Liability

At June 30, 2023, the District's proportionate share of the collective net pension liability reported by KPERS was $5,709,254. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. The District's proportion 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, 2022. 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 8: Risk Management

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

Note 9: Regulatory Compliance Contingency

The District receives significant financial assistance from federal and state governmental agencies in the form of grants and pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the District. The District has not experienced losses related to this type of contingency during the year ended June 30, 2023.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

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	$ 6,048,293	$ (231,188)	$ 296,042	$ 6,113,147	$ 6,113,147	$ -
Supplemental General	1,896,918	(63,313)	-	1,833,605	1,833,605	-
Special Purpose Funds						
Preschool-Aged At-Risk	35,000	-	-	35,000	21,851	(13,149)
At-Risk (K-12)	769,343	-	-	769,343	300,006	(469,337)
Capital Outlay	2,505,193	-	-	2,505,193	671,653	(1,833,540)
Driver Training	49,726	-	-	49,726	13,355	(36,371)
Food Service	564,003	-	-	564,003	449,987	(114,016)
Professional Development	77,024	-	-	77,024	35,112	(41,912)
Special Education	2,098,859	-	-	2,098,859	1,066,488	(1,032,371)
Career and Postsecondary Education	253,506	-	-	253,506	240,806	(12,700)
KPERS Special Retirement Contribution	643,023	-	-	643,023	597,601	(45,422)
Bond and Interest Fund						
Bond and Interest	1,737,400	-	-	1,737,400	968,932	(768,468)
Total of all Budgeted Funds	$ 16,678,288	$ (294,501)	$ 296,042	$ 16,679,829	$ 12,312,543	$ (4,367,286)

	General Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Local Sources				
Reimbursements	$ 391,651	$ 248,551	$ -	$ 248,551
State Sources				
State aid	5,543,213	5,817,105	5,210,094	607,011
Federal Sources				
Federal aid	38,574	47,491	-	47,491
Total Receipts	5,973,438	6,113,147	$ 5,210,094	$ 903,053
Expenditures				
Instruction	3,159,343	2,877,570	$ 3,089,579	$ (212,009)
Student support	155,915	119,636	199,484	(79,848)
Instructional support staff	38,942	45,907	45,184	723
General administration	435,122	484,083	451,555	32,528
School administration	476,400	455,587	511,440	(55,853)
Central services	2,173	4,137	2,500	1,637
Operations and maintenance	383,477	358,346	421,150	(62,804)
Transfers to other funds	1,322,066	1,767,881	1,327,401	440,480
Adjustment to comply with legal max	-	-	(231,188)	231,188
Legal General Fund Budget	5,973,438	6,113,147	5,817,105	296,042
Adjustment for qualifying budget credits	-	-	296,042	(296,042)
Total Expenditures	5,973,438	6,113,147	$ 6,113,147	$ -
Receipts Over Expenditures	-	-		
Unencumbered Cash – Beginning	-	-		
Unencumbered Cash – Ending	$ -	$ -		

	Supplemental General Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Local Sources				
Ad valorem taxes	$ 1,006,367	$ 1,036,545	$ 961,164	$ 75,381
County Sources				
Motor vehicle taxes	130,681	131,598	115,282	16,316
Recreational vehicle taxes	2,018	1,785	1,749	36
Commercial vehicle taxes	4,877	6,114	4,925	1,189
State Sources				
State aid	650,204	685,952	709,637	(23,685)
Total Receipts	1,794,147	1,861,994	$ 1,792,757	$ 69,237
Expenditures				
Instruction	96,822	37,531	$ 106,780	$ (69,249)
Instructional support staff	419,162	374,038	401,652	(27,614)
School administration	9,156	100	10,000	(9,900)
Operations and maintenance	193,079	227,723	299,447	(71,724)
Student transportation	392,683	407,389	484,039	(76,650)
Transfers to other funds	626,219	786,824	595,000	191,824
Adjustment to comply with legal max	-	-	(63,313)	63,313
Total Expenditures	1,737,121	1,833,605	$ 1,833,605	$ -
Receipts Over Expenditures	57,026	28,389		
Unencumbered Cash – Beginning	46,770	103,796		
Unencumbered Cash – Ending	$ 103,796	$ 132,185		

	Preschool-Aged At-Risk Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Local Sources				
Other	$ 14,118	$ 35,105	$ 35,000	$ 105
Expenditures				
Instruction	14,118	21,851	$ 35,000	$ (13,149)
Receipts Over Expenditures	-	13,254		
Unencumbered Cash – Beginning	-	-		
Unencumbered Cash – Ending	$ -	$ 13,254		

	At-Risk (K-12) Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Local Sources				
Other	$ -	$ 5,608	$ -	$ 5,608
Other Sources				
Transfers from other funds	398,385	410,022	416,444	(6,422)
Total Receipts	398,385	415,630	$ 416,444	$ (814)
Expenditures				
Instruction	341,079	300,006	$ 769,343	$ (469,337)
Receipts Over Expenditures	57,306	115,624		
Unencumbered Cash – Beginning	295,593	352,899		
Unencumbered Cash – Ending	$ 352,899	$ 468,523		

	Capital Outlay Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Local Sources				
Ad valorem taxes	$ 490,370	$ 514,074	$ 480,815	$ 33,259
Interest	5,934	45,452	-	45,452
Other	278,005	30,372	-	30,372
County Sources				
Motor vehicle taxes	65,245	59,040	59,383	(343)
Recreational vehicle taxes	1,006	1,141	902	239
Commercial vehicle taxes	2,537	2,803	2,536	267
State Sources				
State aid	106,874	134,568	134,573	(5)
Other Sources				
Transfers from other funds	81,308	-	-	-
Total Receipts	1,031,279	787,450	$ 678,209	$ 109,241
Expenditures				
Instruction	67,214	229,273	$ 251,150	$ (21,877)
Operations and maintenance	314,245	114,579	1,154,042	(1,039,463)
Student transportation	52,180	327,801	150,000	177,801
Facility acquisition and construction	167,436	61,214	950,001	(888,787)
Total Expenditures	601,075	732,867	$ 2,505,193	$ (1,772,326)
Receipts Over Expenditures	430,204	54,583		
Unencumbered Cash – Beginning	1,396,780	1,826,984		
Unencumbered Cash – Ending	$ 1,826,984	$ 1,881,567		

	Driver Training Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Local Sources				
Other	$ 4,400	$ 5,320	$ -	$ 5,320
State Sources				
State aid	6,853	5,880	8,775	(2,895)
Other Sources				
Transfers from other funds	1,782	14,000	14,000	-
Total Receipts	13,035	25,200	$ 22,775	$ 2,425
Expenditures				
Instruction	11,772	13,355	$ 40,726	$ (27,371)
Operations and maintenance	100	-	8,000	(8,000)
Total Expenditures	11,872	13,355	$ 48,726	$ (35,371)
Receipts Over Expenditures	1,163	11,845		
Unencumbered Cash – Beginning	24,788	25,951		
Unencumbered Cash – Ending	$ 25,951	$ 37,796		

	Food Service Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Local Sources				
Food service sales	$ 20,230	$ 203,201	$ 207,889	$ (4,688)
Other	14,281	18,656	-	18,656
State Sources				
State aid	3,717	3,812	2,988	824
Federal Sources				
Federal aid	459,786	215,102	178,545	36,557
Other Sources				
Transfers from other funds	6,524	7,865	15,000	(7,135)
Total Receipts	504,538	448,636	$ 404,422	$ 44,214
Expenditures				
Operations and maintenance	13,547	-	$ 10,532	$ (10,532)
Food service	465,798	449,987	553,471	(103,484)
Total Expenditures	479,345	449,987	$ 564,003	$ (114,016)
Receipts Over (Under) Expenditures	25,193	(1,351)		
Unencumbered Cash – Beginning	134,390	159,583		
Unencumbered Cash – Ending	$ 159,583	$ 158,232		

	Professional Development Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Local Sources				
Other	$ 5,092	$ -	$ -	$ -
State Sources				
State aid	-	5,376	5,250	126
Other Sources				
Transfers from other funds	23,000	52,000	32,000	20,000
Total Receipts	28,092	57,376	$ 37,250	$ 20,126
Expenditures				
Instructional support staff	16,869	35,112	$ 77,024	$ (41,912)
Receipts Over Expenditures	11,223	22,264		
Unencumbered Cash – Beginning	28,551	39,774		
Unencumbered Cash – Ending	$ 39,774	$ 62,038		

	Special Education Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Local Sources				
Other	$ -	$ -	$ -	$ -
Federal Sources				
Federal aid	16,532	19,297	-	19,297
Other Sources				
Transfers from other funds	1,039,102	1,355,644	1,140,000	215,644
Total Receipts	1,055,634	1,374,941	$ 1,140,000	$ 234,941
Expenditures				
Instruction	1,030,052	1,031,384	$ 1,790,825	$ (759,441)
Operations and maintenance	19,225	19,103	62,750	(43,647)
Student transportation	12,052	16,001	245,284	(229,283)
Total Expenditures	1,061,329	1,066,488	$ 2,098,859	$ (1,032,371)
Receipts Over (Under) Expenditures	(5,695)	308,453		
Unencumbered Cash – Beginning	964,554	958,859		
Unencumbered Cash – Ending	$ 958,859	$ 1,267,312		

	Career and Postsecondary Education Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Other Sources				
Transfers from other funds	$ 178,805	$ 435,069	$ 74,957	$ 360,112
Expenditures				
Instruction	178,597	240,806	$ 233,506	$ 7,300
Operations and maintenance	-	-	20,000	(20,000)
	178,597	240,806	$ 253,506	$ (12,700)
Receipts Over Expenditures	208	194,263		
Unencumbered Cash – Beginning	178,341	178,549		
Unencumbered Cash – Ending	$ 178,549	$ 372,812		

	KPERS Special Retirement Contribution Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
State Sources				
Other	$ 589,929	$ 597,601	$ 643,023	$ (45,422)
Expenditures				
Instruction	433,039	392,535	$ 437,256	$ (44,721)
Student support	-	19,291	19,291	-
Instructional support	7,670	25,721	25,721	-
General administration	-	25,020	25,721	(701)
School administration	46,115	51,442	51,442	-
Operations and maintenance	48,115	45,011	45,011	-
Student transportation	34,368	25,721	25,721	-
Food service	20,622	12,860	12,860	-
Total Expenditures	589,929	597,601	$ 643,023	$ (45,422)
Receipts Over Expenditures	-	-		
Unencumbered Cash – Beginning	-	-		
Unencumbered Cash – Ending	$ -	$ -		

	Bond and Interest Fund			
		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Local Sources				
Ad valorem taxes	$ 1,059,962	$ 1,126,332	$ 1,054,844	$ 71,488
County Sources				
Motor vehicle taxes	40,349	137,498	136,993	505
Recreational vehicle taxes	584	2,160	2,078	82
Commercial vehicle taxes	4,559	6,735	5,852	883
Total Receipts	1,105,454	1,272,725	$ 1,199,767	$ 72,958
Expenditures				
Bond principal	220,000	540,000	$ 540,000	$ -
Bond interest	444,132	428,932	428,932	-
Total Expenditures	664,132	968,932	$ 968,932	$ -
Receipts Over Expenditures	441,322	303,793		
Unencumbered Cash – Beginning	1,065,243	1,506,565		
Unencumbered Cash – Ending	$ 1,506,565	$ 1,810,358		

	Gifts and Grants Fund	Title I Low Income Fund	Title IIA Supporting Effective Instruction Fund	Title IV Student Support Fund	K-12 ELC Health Grant Fund	ESSER II Fund
Receipts						
Local Sources						
Other	$ 25,699	$ -	$ -	$ -	$ -	$ -
Reimbursements	22,325	-	-	-	-	-
Federal Sources						
Federal aid	-	88,764	25,381	13,804	98,939	91,077
Total Receipts	48,024	88,764	25,381	13,804	98,939	91,077
Expenditures						
Instruction	52,456	88,764	25,381	13,804	94,689	107,082
Student support services	-	-	-	-	2,860	-
Instructional support staff	-	-	-	-	8,686	-
General administration	-	-	-	-	31,282	-
Central services	-	-	-	-	-	-
Operations and maintenance	-	-	-	-	30,028	-
Student transportation	-	-	-	-	-	-
Total Expenditures	52,456	88,764	25,381	13,804	167,545	107,082
Receipts Over Expenditures	(4,432)	-	-	-	(68,606)	(16,005)
Unencumbered Cash – Beginning	116,715	-	-	-	(39,052)	15,185
Unencumbered Cash – Ending	$ 112,283	$ -	$ -	$ -	$ (107,658)	$ (820)

	ESSER III Fund	Contingency Reserve Fund	Textbook and Revolving Fund	Small Rural School Program Fund	2019 Bond Fund
Receipts					
Local Sources					
Fees and student charges	$ -	$ -	$ 31,606	$ -	$ -
Interest	-	-	-	-	14,946
Other	-	-	26,769	-	-
Federal Sources					
Federal aid	440,997	-	-	3,622	-
Other Sources					
Transfers from other funds	-	50,000	195,000	-	-
Total Receipts	440,997	50,000	253,375	3,622	14,946
Expenditures					
Instruction	356,567	-	30,883	3,622	-
Student support services	4,783	-	-	-	-
Instructional support staff	16,033	-	716	-	-
General administration	1,500	-	-	-	-
Central services	-	-	-	-	-
Operations and maintenance	34,955	-	-	-	-
Student transportation	13,803	-	-	-	-
Food service	13,453	-	-	-	-
Facility acquisition and construction	-	-	-	-	674,960
Total Expenditures	441,094	-	31,599	3,622	674,960
Receipts Over Expenditures	(97)	50,000	221,776	-	(660,014)
Unencumbered Cash – Beginning	-	909,000	240,001	-	660,014
Unencumbered Cash – Ending	$ (97)	$ 959,000	$ 461,777	$ -	$ -

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
High school student activities	$ 93,609	$ 227,198	$ 225,047	$ 95,760
Grade school student activities	28,272	20,273	14,698	33,847
Flexible spending	4,634	33,270	33,705	4,199
Payroll clearing	308,496	-	5,450	303,046
Other	32,818	59,071	105,620	(13,731)
Total of All Agency Funds	$ 467,829	$ 323,031	$ 384,520	$ 423,121

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
District activities	$ 29,887	$ 90,117	$ 82,751	$ 37,253	$ -	$ 37,253

Note:
The District's policy is that all district activities are recorded in a single fund.

EXPENDITURES OF FEDERAL AWARDS

KIENTZ & PENICK
CPAs, LLC

To the Board of Education
USD 378 Riley County
204 W Kansas
Riley, KS 66531

September 15, 2023

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

Opinion on Each Major Federal Program

We have audited USD 378 Riley County's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a directand material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District 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, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management of the District is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a

Eric Kientz
CPA, CMA, CNAP
Senior Audit Partner
(785) 477-9053
Eric@KPMHK.CPA

PO Box 754
Manhattan, KS 66505

KPMHK.CPA

Taylor Penick
CPA, CNAP
Managing Partner
(785) 817-7716
Taylor@KPMHK.CPA

substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole. In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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. ***We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.*** However, material weaknesses may exist that have not been identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

KIENTZ & PENICK
CPAs, LLC

To the Board of Education
USD 378 Riley County
204 W Kansas
Riley, KS 66531

September 15, 2023

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with Government Auditing Standards

We have audited, 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, the financial statement of USD 378 Riley County (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the District's basic financial statement, and have issued our report thereon dated September 15, 2023.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, ***during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.*** However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free from 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.***
Purpose of this Report

Eric Kientz
CPA, CMA, CNAP
Senior Audit Partner
(785) 477-9053
Eric@KPMHK.CPA

PO Box 754
Manhattan, KS 66505

KPMHK.CPA

Taylor Penick
CPA, CNAP
Managing Partner
(785) 817-7716
Taylor@KPMHK.CPA

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Federal and Passthrough Grantors and Program Title	Assistance Listing	Pass-Through Entity Identifying Number	Federal Award Expenditures
U.S. Department of Agriculture			
Passed through Kansas Department of Education			
Child Nutrition Cluster			
School breakfast program	10.553	DO378	$ 23,244
National school lunch program	10.555	DO378	171,163
Summer food service program for children	10.559	DO378	22,046
Total U.S. Department of Agriculture			216,453
U.S. Department of Education			
Impact aid	84.041	N/A	66,788
Passed through Kansas Department of Education			
Title I grants to local educational agencies	84.010A	DO378	88,764
Supporting effective instruction state grants	84.367A	DO378	25,381
Student support and academic enrichment program	84.424A	DO378	13,804
Education stabilization fund	84.425D	DO378	93,940
Education stabilization fund	84.425U	DO378	441,094
Total Passed through Kansas Department of Education			662,983
Total U.S. Department of Education			729,771
U.S. Department of Health and Human Services			
Passed through Kansas Department of Education			
Epidemiology and laboratory capacity for infectious diseases (ELC)			249,271
Total Federal Award Expenditures			$ 1,195,495

Note 1: Significant Accounting Polices

The District's schedule of expenditures of federal awards is presented on the cash basis of accounting, modified to include encumbrances and accounts payable. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2: Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate provisioned by the Uniform Guidance Section 414, for reporting costs charged to federal award programs.

Note 3: Noncash Assistance, Insurance, and Loans

The District did not receive or expend any Federal awards in the form of noncash assistance, insurance, loans, or loan guarantees.

Note 4: Subrecipients

The District did not pass through any federal award funding to subrecipients.

Note 5: U.S. Department of Education – Schoolwide Program Expenditures

The District operated federal award programs 84.010A, 84.367A, and 84.424A as part of a schoolwide program with consolidated federal expenditures of $127,949.

Section I - Summary of Auditor's Results

Auditor's Opinions	
Report on financial statements in accordance with U.S. GAAP	Qualified
Report on compliance for major federal award programs	Unmodified
Internal Control Over Financial Reporting:	
Significant deficiencies or material weaknesses identified	None Reported
Reportable conditions identified but not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	None Reported
Internal Control Over Federal Awards:	
Significant deficiencies or material weaknesses identified	None Reported
Reportable conditions identified but not considered to be material weaknesses	None Reported
Audit Findings Required to be Reported by 2 CFR 200.516(a)	None Reported
Major Program(s) Selected for Testing	Education Stabilization Fund (AL 84.425D and 84.425U)
Threshold Used to Distinguish Type A and B Programs	$750,000
Auditee Qualified as a Low-Risk Auditee	No

Section II – Reportable Financial Statement Findings

Findings	None reported

Section III – Findings and Questioned Costs for Federal Awards

Findings	None reported