

UNIFIED SCHOOL DISTRICT NO. 365

Garnett, Kansas

Financial Statements

For the Year Ended June 30, 2020

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UNIFIED SCHOOL DISTRICT NO. 365
 Financial Statements
 For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 365
Garnett, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Unified School District No. 365, Garnett, Kansas, (the District), as of and for the year ended June 30, 2020 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 *Kansas Municipal Audit and Accounting Guide* (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 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

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1 of the financial statement, the financial statement is prepared by the District 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 U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on 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 the Unified School District No. 365, Garnett, Kansas, as of June 30, 2020, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District, as of June 30, 2020, 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

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 summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, summary of regulatory basis receipts and disbursements-agency funds, and the schedule of regulatory basis receipts, expenditures and unencumbered cash-district activity funds (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statements, however, 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 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 for Federal Awards*, and is not a required part of the financial statements. 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 statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement 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*, we have also issued our report dated November 24, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Matter

The 2019 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2019 basic financial statement. The District's basic financial statement for the year ended June 30, 2019 (not presented herein), was audited by other auditors whose report dated October 18, 2019, expressed an unmodified opinion on the basic financial statement. The 2019 basic financial statements and the other auditor's report are available in electronic form from the web site of the Kansas Department of Education at the following link: <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The report of the other auditors dated October 18, 2019, stated that the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended June 30, 2019, was subjected to auditing procedures applied in the audit of the 2019 basic financial statement and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the 2019 basic financial statement or to the 2019 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in their opinion, was fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2019, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

November 24, 2020

UNIFIED SCHOOL DISTRICT NO. 365
 Summary Statement of Receipts, Expenditures and Unencumbered Cash
 Regulatory Basis
 For the Year Ended June 30, 2020

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General Funds:							
General	\$ -	\$ -	\$ 7,860,456	\$ 7,860,456	\$ -	\$ 303,555	\$ 303,555
Supplemental General	231,298	-	2,612,360	2,610,000	233,658	-	233,658
Special Purpose Funds:							
At Risk (4 Year Old)	20,778	-	51,616	27,707	44,687	2,655	47,342
At Risk (K-12)	43,959	-	1,049,255	1,034,719	58,495	84,748	143,243
Capital Outlay	1,861,783	-	938,189	1,018,905	1,781,067	506,539	2,287,606
Driver Training	50,717	-	43,160	53,823	40,054	-	40,054
Food Service	123,782	-	545,881	543,705	125,958	-	125,958
Professional Development	43,648	-	11,668	13,158	42,158	1,694	43,852
Special Education	896,416	-	1,798,333	1,732,809	961,940	1,132	963,072
Vocational Education	88,733	-	242,263	261,407	69,589	18,420	88,009
Bilingual Education	-	-	261	-	261	-	261
KPERS Special Retirement Contribution	-	-	1,014,619	1,014,619	-	-	-
Gifts and Grants	145,848	-	256,670	303,529	98,989	16,965	115,954
Textbook Rental and Student Materials Revolving	114,503	-	108,486	95,185	127,804	56,902	184,706
Federal Funds	-	-	253,571	252,523	1,048	33,414	34,462
Contingency Reserve	570,696	-	123,688	-	694,384	-	694,384
Reading Recovery	95,654	-	6,300	6,160	95,794	-	95,794
Community College	85,424	-	-	5,769	79,655	-	79,655
District Activity	20,311	-	279,908	272,480	27,739	-	27,739
Capital Projects Fund:							
Bond Construction	549	-	416	-	965	-	965
Bond and Interest Fund:							
Bond and Interest Fund	<u>2,231,052</u>	<u>-</u>	<u>1,641,017</u>	<u>1,521,673</u>	<u>2,350,396</u>	<u>-</u>	<u>2,350,396</u>
Total	<u>\$ 6,625,151</u>	<u>\$ -</u>	<u>\$ 18,838,117</u>	<u>\$ 18,628,627</u>	<u>\$ 6,834,641</u>	<u>\$ 1,026,024</u>	<u>\$ 7,860,665</u>

Composition of Cash:

Goppert State Service Bank	
Checking Accounts	\$ 6,023,067
Certificate of Deposit	544,690
Bank of Greeley	
Checking Accounts	424
Certificate of Deposit	600,000
Farmer's State Bank	
Certificate of Deposit	300,000
Patriot's Bank	
Checking Accounts	1,265
Certificate of Deposit	510,635
Security Bank	<u>965</u>
Cash Balance	7,981,046
Less: Agency Funds per Schedule 3	<u>[120,381]</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 7,860,665</u>

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

Unified School District No. 365 (the District) is a municipal corporation governed by an elected seven-member board. These financial statements include all the accounts for which the District is considered to be financially accountable. The District had no related municipal entities.

Reimbursed Expenses

Expenditures in the amount of \$10,510 are classified as reimbursed expenses in the General Fund. The purpose of these expenditures is payments for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934.

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria:

1. the related disbursement was made in the current year on behalf of the payee,
2. the item paid for was directly identifiable as having been used by or provided to the payee, and
3. the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Basis of Accounting

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

Regulatory Basis Fund Types

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

The following types of funds comprise the financial activities of the District for the year ended June 30, 2020:

General Fund - the chief operating 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 specified purposes.

Capital Projects 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.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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.

Agency Fund - funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, student organization funds, etc.).

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), principal 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.

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. The budget was amended for the Gifts and Grants Fund during the year ended June 30, 2020.

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 receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for 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, agency funds, and the following special purpose funds: Contingency Reserve, Community College, Reading Recovery, and Textbook Rental and Student Materials Revolving funds.

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

NOTE 2 - Deposits and Investments

Deposits. 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.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2020

NOTE 2 - Deposits and Investments (Continued)

Investments. 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. As of June 30, 2020, the District held no such investments.

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has no designated "peak periods."

At June 30, 2020, the District's carrying amount of deposits was \$7,981,046 and the bank balance was \$8,295,997. The bank balance was held by five banks resulting in a concentration of credit risk. Of the bank balance, \$1,000,965 was covered by federal depository insurance and the balance of \$7,295,032 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

NOTE 3 – In-Substance Receipt in Transit

The District received \$329,098 in General State Aid and \$71,347 in Supplemental General State Aid subsequent to June 30, 2020, and as required by K.S.A. 72-6466, the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2020.

NOTE 4 - Long-Term Debt

Following is a detailed listing of the District's long-term debt outstanding at June 30, 2020:

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Certificates of Participation					
Series 2010-A QSCB	12/22/2010	6.21%	9/1/2029	\$ 14,485,000	\$ 14,485,000
				<u>14,485,000</u>	<u>14,485,000</u>
Capital Leases					
2014 Buses	1/31/2013	3.00%	9/30/2022	1,100,000	360,578
2017 Mini Bus	7/6/2017	2.75%	6/26/2020	53,529	9,730
2017 Special Education Bus	7/31/2018	1.02%	7/31/2020	37,850	12,613
2019 Special Education Bus	8/5/2019	2.80%	8/5/2021	46,900	30,826
2019 Chevrolet Traverse	9/5/2019	3.85%	9/5/2022	26,818	19,675
				<u>1,265,097</u>	<u>433,422</u>
Total				<u>\$ 15,750,097</u>	<u>\$ 14,918,422</u>

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2020

NOTE 4 - Long-Term Debt (Continued)

Following is a summary of changes in long-term debt for the year ended June 30, 2020:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Prior Year Restatement</u>	<u>Beginning Principal Outstanding, Restated</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>	<u>Interest Paid Year Ended 6/30/2020</u>
Certificates of Participation							
Series 2010-A QSCB	\$ 14,485,000	\$ -	\$ 14,485,000	\$ -	\$ -	\$ 14,485,000	\$ 900,098
Capital leases	<u>522,987</u>	<u>32,587</u>	<u>555,574</u>	<u>100,638</u>	<u>222,790</u>	<u>433,422</u>	<u>18,862</u>
Total	<u>\$ 15,007,987</u>	<u>\$ 32,587</u>	<u>\$ 15,040,574</u>	<u>\$ 100,638</u>	<u>\$ 222,790</u>	<u>\$ 14,918,422</u>	<u>\$ 918,960</u>

The Series 2010-A QSCB Certificates of Participation (COPS) are payable in full on September 1, 2029 in the amount of \$14,485,000 with interest payable annually to that date of \$900,098. The District is required to make annual sinking fund deposits annually through September 1, 2029, of amounts necessary to satisfy the minimum required accumulated balance under the Lease and Declaration of Trust. The District's annual deposits will consist of (1) the District's expected annual cash deposit in the base amount of \$258,320 (the "Base Cash Deposit") plus (2) the estimated investment earnings on the accumulated balance (the "Investment Earnings"). In the event the District's Base Cash Deposit plus Investment Earnings is insufficient to meet the required accumulated balance on a given September 1st, the District is required to make up the difference with an additional cash deposit to the sinking fund. In the event the accumulated balance exceeds the required accumulated balance on a given September 1st the excess will be withdrawn from the sinking fund. During the year ended June 30, 2020, the District was required to make the annual base deposit in order to meet the required accumulated balance.

The District is subject to Kansas statutes and may issue general obligation bonds for capital improvements upon the approval of a majority of the voters. Remaining debt service requirements for general obligation bonds will be repaid from the Debt Service Fund with future tax assessments. Such general obligation indebtedness may not exceed the amount allowed for the District under K.S.A. 72-6761.

The District's statutory limit for such bonded indebtedness is approximately \$12 million at June 30, 2020. The District has received authorization from the State of Kansas to exceed this limit.

Annual payment service requirements to maturity for the above leases:

<u>Year</u>	Capital Leases		
	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2020-21	\$ 163,280	\$ 12,979	\$ 176,260
2021-22	145,226	8,030	153,256
2022-23	<u>124,916</u>	<u>3,727</u>	<u>128,643</u>
	<u>\$ 433,422</u>	<u>\$ 24,736</u>	<u>\$ 458,158</u>

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2020

NOTE 5 - Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General	At Risk (4 Year Old)	K.S.A. 72-6478	\$ 51,616
General	Special Education	K.S.A. 72-6478	1,229,130
General	Professional Development	K.S.A. 72-6478	10,000
General	Vocational Education	K.S.A. 72-6478	240,504
General	Textbook Rental and Student Materials Revolving	K.S.A. 72-6478	50,000
General	At Risk (K-12)	K.S.A. 72-6478	800,000
General	Food Service	K.S.A. 72-6478	25,000
General	Contingency Reserve	K.S.A. 72-6478	123,688
General	Driver Training	K.S.A. 72-6478	10,000
Supplemental General	Food Service	K.S.A. 72-6478	7,445
Supplemental General	Special Education	K.S.A. 72-6478	495,485
Supplemental General	Bilingual Education	K.S.A. 72-6478	261
Supplemental General	At Risk (K-12)	K.S.A. 72-6478	<u>249,255</u>
Total			<u>\$ 3,292,384</u>

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 establishes 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 contribution rates are withheld by their employer and paid to KPERs according to 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 14.59% and 13.21%, respectively, for the fiscal year ended June 30, 2019. The actuarially determined employer contribution rate and the statutory contribution rate was 16.15 % and 14.41 %, respectively, for the fiscal year ended June 30, 2020.

Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state general fund employer contributions to KPERs were decreased by \$64.13 million for the fiscal year ended June 30, 2017. Section 43(17) of the bill also stipulated that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2018. The level dollar amount was computed to be \$6.4 million per year. The first-year payment of \$6.4 million was received in July 2017 and appropriations for fiscal year 2018 were made for the State/School group at the statutory contribution rate of 12.01% for that year.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2020

NOTE 6 - Defined Benefit Pension Plan (Continued)

Per 2017 Senate Substitute for House Bill 2002, Section 51(a), state general fund employer contributions to KPERS were decreased by \$194.0 million for the fiscal year ended June 30, 2020. Section 56(19) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2020. The level dollar amount was computed to be \$19.4 million per year.

2018 House Substitute for Senate Bill 109 provided for additional funding for KPERS School group. A payment of \$56 million was paid in fiscal year 2018. The bill also authorized a payment of \$82 million in fiscal year 2019.

2019 Senate Bill 9 authorized a payment of \$115 million for the KPERS School group.

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 \$1,014,619 for the year ended June 30, 2020.

Net Pension Liability. At June 30, 2020, the District's proportionate share of the collective net pension liability reported by KPERS was \$8,854,368. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. 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, 2019. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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 publically available on the KPERS website at www.kpers.org or can be obtained as described above.

NOTE 7 - Compensated Absences

The District's leave policies are as follows:

Certified employees – Full-time certified employees are granted ten days of leave per school year. Unused leave to be carried over at the end of the year may not exceed 120 days.

Certified employees can be compensated each June at a rate of \$20 per day of accumulated leave in excess of 110 days. Upon initial retirement under KPERS guidelines, certified employees are compensated at a rate of \$20 per day of accumulated leave to a maximum of 120 days.

Classified employees – Full-time classified employees are granted ten days of vacation of one year of continuous employment. Classified employees with five or more years of employment are granted one additional vacation day, to a maximum of 15 days of vacation each year. Unused vacation days are not permitted to be carried over from year to year. Full-time classified employees are also granted 12 days of sick leave each year. Unused sick leave to be carried over at the end of the year may not exceed 120 days

Classified employees can be compensated each June at a rate of \$10 per day of accumulated leave in excess of 110 days. Upon initial retirement under KPERS guidelines, classified employees are compensated at a rate of \$20 per day of accumulated leave to a maximum of 120 days.

It is the District's policy to recognize the costs of compensated absences when actually paid.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2020

NOTE 8 - Commitments and Contingencies

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the District as of June 30, 2020.

NOTE 9 - 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; natural disasters and other events for which the District carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 – 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 makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

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, 2020.

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UNIFIED SCHOOL DISTRICT NO. 365
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2020

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment to Comply with Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Over [Under]</u>
Governmental Fund Types:						
General Funds:						
General	\$ 7,957,786	\$ [107,840]	\$ 10,510	\$ 7,860,456	\$ 7,860,456	\$ -
Supplemental General	2,610,000	-	-	2,610,000	2,610,000	-
Special Purpose Funds:						
At Risk (4 Year Old)	45,778	-	-	45,778	27,707	18,071
At Risk (K-12)	1,124,417	-	-	1,124,417	1,034,719	89,698
Capital Outlay	2,041,000	-	-	2,041,000	1,018,905	1,022,095
Driver Training	44,950	-	26,920	71,870	53,823	18,047
Food Service	599,969	-	-	599,969	543,705	56,264
Professional Development	40,500	-	-	40,500	13,158	27,342
Special Education	1,942,804	-	-	1,942,804	1,732,809	209,995
Vocational Education	348,500	-	-	348,500	261,407	87,093
Bilingual Education	-	-	-	-	-	-
KPERS Special Retirement Contribution	1,147,456	-	-	1,147,456	1,014,619	132,837
Gifts and Grants	304,039	-	-	304,039	303,529	510
Federal Funds	243,581	-	-	243,581	252,523	[8,942]
Bond and Interest Fund:						
Bond and Interest	1,521,745	-	-	1,521,745	1,521,673	72

UNIFIED SCHOOL DISTRICT NO. 365
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
State Aid:				
General state aid	\$ 6,456,587	\$ 6,795,816	\$ 6,843,003	\$ [47,187]
Special education aid	1,008,302	1,054,130	1,114,783	[60,653]
Reimbursements	<u>12,606</u>	<u>10,510</u>	<u>-</u>	<u>10,510</u>
Total Receipts	<u>7,477,495</u>	<u>7,860,456</u>	<u>\$ 7,957,786</u>	<u>\$ [97,330]</u>
Expenditures				
Instruction	1,972,444	2,225,912	\$ 2,308,960	\$ 83,048
Student support services	232,202	228,118	265,975	37,857
Instructional support services	196,218	200,836	212,450	11,614
General administration	199,875	206,481	218,931	12,450
School administration	712,646	730,695	767,168	36,473
Central services	153,133	125,068	248,850	123,782
Operations and maintenance	1,126,320	1,094,692	1,042,656	[52,036]
Transportation	519,774	508,715	579,766	71,051
Transfers out	2,364,883	2,539,939	2,313,030	[226,909]
Adjustments for qualifying budget credit	-	-	10,510	10,510
Adjustments to comply with legal max	<u>-</u>	<u>-</u>	<u>[107,840]</u>	<u>[107,840]</u>
Total Expenditures	<u>7,477,495</u>	<u>7,860,456</u>	<u>\$ 7,860,456</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Supplemental General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	\$ 1,509,534	\$ 1,488,690	\$ 1,324,862	\$ 163,828
Delinquent taxes	26,533	30,965	30,626	339
Motor vehicle tax	147,345	149,792	77,418	72,374
Recreational vehicle tax	3,519	3,574	6,460	[2,886]
State aid	<u>952,794</u>	<u>939,339</u>	<u>939,339</u>	<u>-</u>
Total Receipts	<u>2,639,725</u>	<u>2,612,360</u>	<u>\$ 2,378,705</u>	<u>\$ 233,655</u>
Expenditures				
Instruction	1,820,759	1,792,960	\$ 1,865,000	\$ 72,040
Student support services	63,326	64,594	61,600	[2,994]
Transfers out	<u>695,915</u>	<u>752,446</u>	<u>683,400</u>	<u>[69,046]</u>
Total Expenditures	<u>2,580,000</u>	<u>2,610,000</u>	<u>\$ 2,610,000</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	59,725	2,360		
Unencumbered Cash, Beginning	<u>171,573</u>	<u>231,298</u>		
Unencumbered Cash, Ending	<u>\$ 231,298</u>	<u>\$ 233,658</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
At Risk (4 Year Old) Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
State aid	\$ 67,000	\$ -	\$ -	\$ -
Transfers in	<u>35,313</u>	<u>51,616</u>	<u>25,000</u>	<u>26,616</u>
Total Receipts	<u>102,313</u>	<u>51,616</u>	<u>\$ 25,000</u>	<u>\$ 26,616</u>
Expenditures				
Instruction	83,777	27,707	\$ 45,778	\$ 18,071
Operations and maintenance	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>91,777</u>	<u>27,707</u>	<u>\$ 45,778</u>	<u>\$ 18,071</u>
Receipts Over [Under] Expenditures	10,536	23,909		
Unencumbered Cash, Beginning	<u>10,242</u>	<u>20,778</u>		
Unencumbered Cash, Ending	<u>\$ 20,778</u>	<u>\$ 44,687</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
At Risk (K-12) Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Transfers in	\$ 1,034,103	\$ 1,049,255	\$ 1,080,459	\$ [31,204]
Total Receipts	<u>1,034,103</u>	<u>1,049,255</u>	<u>\$ 1,080,459</u>	<u>\$ [31,204]</u>
Expenditures				
Instruction	<u>1,030,120</u>	<u>1,034,719</u>	\$ 1,124,417	\$ 89,698
Total Expenditures	<u>1,030,120</u>	<u>1,034,719</u>	<u>\$ 1,124,417</u>	<u>\$ 89,698</u>
Receipts Over [Under] Expenditures	3,983	14,536		
Unencumbered Cash, Beginning	<u>39,976</u>	<u>43,959</u>		
Unencumbered Cash, Ending	<u>\$ 43,959</u>	<u>\$ 58,495</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Capital Outlay Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	\$ 612,045	\$ 626,096	\$ 582,348	\$ 43,748
Delinquent taxes	9,767	11,624	12,461	[837]
Motor vehicle tax	52,880	53,326	28,954	24,372
Recreational vehicle tax	3,739	4,130	2,416	1,714
Capital outlay state aid	136,073	141,253	141,750	[497]
Investment income	44,141	47,114	10,000	37,114
Miscellaneous	95,503	54,646	55,000	[354]
Total Receipts	<u>954,148</u>	<u>938,189</u>	<u>\$ 832,929</u>	<u>\$ 105,260</u>
Expenditures				
Instruction	162,176	269,976	\$ 650,000	\$ 380,024
Operations and maintenance	17,123	34,118	516,000	481,882
Transportation	19,642	32,688	-	[32,688]
Facility acquisition and construction	879,089	682,123	675,000	[7,123]
Building improvements	336,504	-	200,000	200,000
Total Expenditures	<u>1,414,534</u>	<u>1,018,905</u>	<u>\$ 2,041,000</u>	<u>\$ 1,022,095</u>
Receipts Over [Under] Expenditures	[460,386]	[80,716]		
Unencumbered Cash, Beginning	<u>2,322,169</u>	<u>1,861,783</u>		
Unencumbered Cash, Ending	<u>\$ 1,861,783</u>	<u>\$ 1,781,067</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Driver Training Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
State aid	\$ 10,290	\$ 6,240	\$ 7,800	\$ [1,560]
Charges for services	7,200	-	-	-
Lease proceeds	-	26,920	-	26,920
Transfer in	-	10,000	-	10,000
Total Receipts	<u>17,490</u>	<u>43,160</u>	<u>\$ 7,800</u>	<u>\$ 35,360</u>
Expenditures				
Instruction	11,477	52,957	38,700	\$ [14,257]
Vehicle operations and maintenance	910	866	6,250	5,384
Adjustments for qualifying budget credit	-	-	26,920	26,920
Total Expenditures	<u>12,387</u>	<u>53,823</u>	<u>\$ 71,870</u>	<u>\$ 18,047</u>
Receipts Over [Under] Expenditures	5,103	[10,663]		
Unencumbered Cash, Beginning	<u>45,614</u>	<u>50,717</u>		
Unencumbered Cash, Ending	<u>\$ 50,717</u>	<u>\$ 40,054</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Food Service Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Federal aid	\$ 310,296	\$ 374,183	\$ 300,228	\$ 73,955
State aid	5,123	8,314	4,274	4,040
Charges for services	160,695	130,216	166,859	[36,643]
Miscellaneous revenue	95	723	-	723
Transfers in	<u>35,000</u>	<u>32,445</u>	<u>10,000</u>	<u>22,445</u>
Total Receipts	<u>511,209</u>	<u>545,881</u>	<u>\$ 481,361</u>	<u>\$ 64,520</u>
Expenditures				
Food service operation	488,443	535,655	\$ 580,969	\$ 45,314
Operations and maintenance	<u>15,823</u>	<u>8,050</u>	<u>19,000</u>	<u>10,950</u>
Total Expenditures	<u>504,266</u>	<u>543,705</u>	<u>\$ 599,969</u>	<u>\$ 56,264</u>
Receipts Over [Under] Expenditures	6,943	2,176		
Unencumbered Cash, Beginning	<u>116,839</u>	<u>123,782</u>		
Unencumbered Cash, Ending	<u>\$ 123,782</u>	<u>\$ 125,958</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Professional Development Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
State aid	\$ 1,805	\$ 1,668	\$ 3,125	\$ [1,457]
Transfers in	<u>20,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Receipts	<u>21,805</u>	<u>11,668</u>	<u>\$ 13,125</u>	<u>\$ [1,457]</u>
Expenditures				
Instructional support services	<u>12,723</u>	<u>13,158</u>	<u>\$ 40,500</u>	<u>\$ 27,342</u>
Total Expenditures	<u>12,723</u>	<u>13,158</u>	<u>\$ 40,500</u>	<u>\$ 27,342</u>
Receipts Over [Under] Expenditures	9,082	[1,490]		
Unencumbered Cash, Beginning	<u>34,566</u>	<u>43,648</u>		
Unencumbered Cash, Ending	<u>\$ 43,648</u>	<u>\$ 42,158</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Special Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Miscellaneous revenue	\$ 37,850	\$ 73,718	\$ -	\$ 73,718
Transfers in	<u>1,600,114</u>	<u>1,724,615</u>	<u>1,539,271</u>	<u>185,344</u>
Total Receipts	<u>1,637,964</u>	<u>1,798,333</u>	<u>\$ 1,539,271</u>	<u>\$ 259,062</u>
Expenditures				
Instruction	1,382,045	1,524,898	\$ 1,641,304	\$ 116,406
Student transportation service	<u>188,670</u>	<u>207,911</u>	<u>301,500</u>	<u>93,589</u>
Total Expenditures	<u>1,570,715</u>	<u>1,732,809</u>	<u>\$ 1,942,804</u>	<u>\$ 209,995</u>
Receipts Over [Under] Expenditures	67,249	65,524		
Unencumbered Cash, Beginning	<u>829,167</u>	<u>896,416</u>		
Unencumbered Cash, Ending	<u>\$ 896,416</u>	<u>\$ 961,940</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Vocational Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
State aid	\$ 2,391	\$ 1,759	\$ 3,456	\$ [1,697]
Transfers in	<u>281,268</u>	<u>240,504</u>	<u>275,000</u>	<u>[34,496]</u>
Total Receipts	<u>283,659</u>	<u>242,263</u>	<u>\$ 278,456</u>	<u>\$ [36,193]</u>
Expenditures				
Instruction	<u>267,946</u>	<u>261,407</u>	<u>\$ 348,500</u>	<u>\$ 87,093</u>
Total Expenditures	<u>267,946</u>	<u>261,407</u>	<u>\$ 348,500</u>	<u>\$ 87,093</u>
Receipts Over [Under] Expenditures	15,713	[19,144]		
Unencumbered Cash, Beginning	<u>73,020</u>	<u>88,733</u>		
Unencumbered Cash, Ending	<u>\$ 88,733</u>	<u>\$ 69,589</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Bilingual Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Transfers in	\$ -	\$ 261	\$ -	\$ 261
Total Receipts	<u>-</u>	<u>261</u>	<u>-</u>	<u>261</u>
Expenditures				
Instruction	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	-	261		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 261</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
 KPERS Special Retirement Contribution Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
State aid	\$ 667,425	\$ 1,014,619	\$ 1,147,456	\$ [132,837]
Total Receipts	<u>667,425</u>	<u>1,014,619</u>	<u>\$ 1,147,456</u>	<u>\$ [132,837]</u>
Expenditures				
Instruction	400,454	608,772	\$ 652,969	\$ 44,197
Student support services	40,046	60,877	75,500	14,623
Instructional support services	46,720	71,023	86,000	14,977
General administration	40,046	60,877	75,500	14,623
School administration	46,720	71,023	86,000	14,977
Operations and maintenance	53,394	81,170	91,000	9,830
Student transportation services	6,674	10,146	20,500	10,354
Food service	33,371	50,731	59,987	9,256
Total Expenditures	<u>667,425</u>	<u>1,014,619</u>	<u>\$ 1,147,456</u>	<u>\$ 132,837</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
 Gifts and Grants Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Contributions and donations	\$ 121,605	\$ 68,551	\$ 82,000	\$ [13,449]
Federal aid	-	109,580	-	109,580
State aid	<u>18,721</u>	<u>78,539</u>	<u>76,539</u>	<u>2,000</u>
Total Receipts	<u>140,326</u>	<u>256,670</u>	<u>\$ 158,539</u>	<u>\$ 98,131</u>
Expenditures				
Instruction	88,598	302,819	\$ 302,539	\$ [280]
Instructional support services	-	-	1,500	1,500
Operations and maintenance	-	<u>710</u>	-	<u>[710]</u>
Total Expenditures	<u>88,598</u>	<u>303,529</u>	<u>\$ 304,039</u>	<u>\$ 510</u>
Receipts Over [Under] Expenditures	51,728	[46,859]		
Unencumbered Cash, Beginning	<u>94,120</u>	<u>145,848</u>		
Unencumbered Cash, Ending	<u>\$ 145,848</u>	<u>\$ 98,989</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
 Textbook Rental and Student Materials Revolving Fund *
 Schedule of Receipts and Expenditures - Actual
 Regulatory Basis
 For the Years Ended June 30, 2020 and 2019

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Charges for services	\$ 48,108	\$ 45,501
Miscellaneous	16,890	12,985
Transfers in	<u>55,000</u>	<u>50,000</u>
Total Receipts	<u>119,998</u>	<u>108,486</u>
 Expenditures		
Instruction	<u>149,437</u>	<u>95,185</u>
Total Expenditures	<u>149,437</u>	<u>95,185</u>
 Receipts Over [Under] Expenditures	 [29,439]	 13,301
 Unencumbered Cash, Beginning	 <u>143,942</u>	 <u>114,503</u>
 Unencumbered Cash, Ending	 <u>\$ 114,503</u>	 <u>\$ 127,804</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Federal Funds
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020

	<u>Title I</u>	<u>Title II-A Teacher Quality</u>	<u>Title IV-A</u>	<u>COVID-19 Relief</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over [Under]</u>
Receipts							
Federal aid	\$ 183,882	\$ 42,685	\$ 17,004	\$ 10,000	\$ 253,571	\$ 243,581	\$ 9,990
Total Receipts	<u>183,882</u>	<u>42,685</u>	<u>17,004</u>	<u>10,000</u>	<u>253,571</u>	<u>\$ 243,581</u>	<u>\$ 9,990</u>
Expenditures							
Instruction	176,466	42,685	17,004	3,128	239,283	\$ 243,581	\$ 4,298
Student support services	7,416	-	-	-	7,416	-	[7,416]
Operations and maintenance	-	-	-	3,518	3,518	-	[3,518]
Food service operation	-	-	-	2,306	2,306	-	[2,306]
Total Expenditures	<u>183,882</u>	<u>42,685</u>	<u>17,004</u>	<u>8,952</u>	<u>252,523</u>	<u>\$ 243,581</u>	<u>\$ [8,942]</u>
Receipts Over [Under] Expenditures	-	-	-	1,048	1,048		
Unencumbered Cash, Beginning	-	-	-	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,048</u>	<u>\$ 1,048</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Contingency Reserve Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2020 and 2019

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Transfers in	\$ -	\$ 123,688
Total Receipts	<u>-</u>	<u>123,688</u>
Expenditures		
Instruction	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	-	123,688
Unencumbered Cash, Beginning	<u>570,696</u>	<u>570,696</u>
Unencumbered Cash, Ending	<u>\$ 570,696</u>	<u>\$ 694,384</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Reading Recovery Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2020 and 2019

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Reimbursements	\$ 7,850	\$ 6,300
Total Receipts	<u>7,850</u>	<u>6,300</u>
Expenditures		
Instruction	<u>12,409</u>	<u>6,160</u>
Total Expenditures	<u>12,409</u>	<u>6,160</u>
Receipts Over [Under] Expenditures	[4,559]	140
Unencumbered Cash, Beginning	<u>100,213</u>	<u>95,654</u>
Unencumbered Cash, Ending	<u>\$ 95,654</u>	<u>\$ 95,794</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Community College Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2020 and 2019

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Miscellaneous revenue	\$ 12,110	\$ -
Total Receipts	<u>12,110</u>	<u>-</u>
 Expenditures		
Instruction	<u>3,913</u>	<u>5,769</u>
Total Expenditures	<u>3,913</u>	<u>5,769</u>
 Receipts Over [Under] Expenditures	 8,197	 [5,769]
 Unencumbered Cash, Beginning	 <u>77,227</u>	 <u>85,424</u>
 Unencumbered Cash, Ending	 <u>\$ 85,424</u>	 <u>\$ 79,655</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Bond Construction Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2020 and 2019

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Investment income	\$ 342	\$ 416
Total Receipts	<u>342</u>	<u>416</u>
Expenditures		
Facility acquisition and construction	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	342	416
Unencumbered Cash, Beginning	<u>207</u>	<u>549</u>
Unencumbered Cash, Ending	<u>\$ 549</u>	<u>\$ 965</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Bond and Interest Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	\$ 600,349	\$ 664,241	\$ 618,948	\$ 45,293
Delinquent taxes	11,913	13,147	12,210	937
Motor vehicle tax	60,199	54,305	29,546	24,759
Recreational vehicle tax	4,396	4,271	2,466	1,805
State aid	169,491	174,268	174,268	-
Miscellaneous revenue	<u>728,648</u>	<u>730,785</u>	<u>729,618</u>	<u>1,167</u>
Total Receipts	<u>1,574,996</u>	<u>1,641,017</u>	<u>\$ 1,567,056</u>	<u>\$ 73,961</u>
Expenditures				
Principal	596,781	621,575	\$ 621,647	\$ 72
Interest	<u>900,098</u>	<u>900,098</u>	<u>900,098</u>	<u>-</u>
Total Expenditures	<u>1,496,879</u>	<u>1,521,673</u>	<u>\$ 1,521,745</u>	<u>\$ 72</u>
Receipts Over [Under] Expenditures	78,117	119,344		
Unencumbered Cash, Beginning	<u>2,152,935</u>	<u>2,231,052</u>		
Unencumbered Cash, Ending	<u>\$ 2,231,052</u>	<u>\$ 2,350,396</u>		

See independent auditor's report on the financial statements.

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UNIFIED SCHOOL DISTRICT NO. 365
Agency Funds
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended June 30, 2020

<u>FUND</u>	Beginning Cash <u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash <u>Balance</u>
Anderson County Jr/Sr High School				
AP government class	\$ 128	\$ 28,438	\$ 28,417	\$ 149
ACHS greenhouse	31	-	-	31
Art club	1,909	629	366	2,172
Band club	5,685	9,808	8,342	7,151
Bulldog fund	252	126	-	378
Cheerleaders	4,570	1,882	3,847	2,605
Chess club	75	-	-	75
Choir	358	1,535	1,862	31
Class of '17	25	-	-	25
Class of '18	159	-	-	159
Class of '19	1,589	-	1,589	-
Class of '20	285	2,455	1,872	868
Class of '21	1,265	11,236	7,760	4,741
Class of '22	430	425	183	672
Class of '23	-	360	-	360
Dance	7,115	15,140	13,902	8,353
Drama	6,409	20,883	14,649	12,643
FACS	1,394	2,704	2,786	1,312
FBLA	1,569	5,561	5,080	2,050
FCCLA	96	4,062	1,898	2,260
FFA	537	14,947	12,542	2,942
A-VAC	1,859	-	-	1,859
Applied business development	872	305	949	228
Internationals	3,932	1,499	1,484	3,947
21st Century journalism	265	-	-	265
Junior High cheerleaders	283	-	106	177
Junior High STUCO pencil account	187	-	-	187
Junior High NHS	199	-	-	199
Junior High science	6,106	1,386	-	7,492
Junior High student council	6,636	16,138	17,776	4,998
Junior High yearbook	2,252	297	390	2,159
Junior High scholastic book order	7	-	-	7
KAY	1,471	1,789	1,568	1,692
Munchies	189	-	-	189
National honor society	1,007	-	237	770
Neosho Community College	-	950	900	50
Red Black	1,000	7,932	5,832	3,100
SAFE	5,359	-	-	5,359
Sales tax	-	9,927	9,834	93
Science club	450	1,499	1,239	710
Strength and conditioning	690	120	120	690
Service learning scholarship fund	8	-	-	8
Student advocacy	100	-	-	100
Student council	268	15,531	13,540	2,259
Students in need	200	-	-	200
Skills USA	5,300	2,700	5,105	2,895
Voc. agriculture	4,449	920	-	5,369
Digital media & production	21,496	9,135	6,463	24,168
Total Anderson County Jr/Sr High School	98,466	190,319	170,638	118,147

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Agency Funds
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended June 30, 2020

<u>FUND</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
Garnett Elementary School				
Emergency fund	\$ 248	\$ 400	\$ 410	\$ 238
Spelling bee	156	205	143	218
Staff club	355	1,053	1,319	89
Students funds	<u>267</u>	<u>3,060</u>	<u>3,175</u>	<u>152</u>
Total Garnett Elementary School	<u>1,026</u>	<u>4,718</u>	<u>5,047</u>	<u>697</u>
Greeley Elementary School				
Teacher fund	39	120	27	132
Wildcat Bellringers	40	-	-	40
Emergency coalition	227	-	-	227
Student activities	<u>8</u>	<u>17</u>	<u>-</u>	<u>25</u>
Total Greeley Elementary School	<u>314</u>	<u>137</u>	<u>27</u>	<u>424</u>
Westphalia Elementary School				
Instrumentals	32	105	91	46
Pep club	454	145	-	599
Special project	<u>659</u>	<u>1,045</u>	<u>1,236</u>	<u>468</u>
Total Westphalia Elementary School	<u>1,145</u>	<u>1,295</u>	<u>1,327</u>	<u>1,113</u>
Total Student Organization Funds	<u>\$ 120,632</u>	<u>\$ 196,469</u>	<u>\$ 177,039</u>	<u>\$ 120,381</u>

UNIFIED SCHOOL DISTRICT NO. 365
District Activity Funds
Schedule of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2020

FUND	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Anderson County Jr/Sr High School							
Gate receipts	\$ 15,807	\$ -	\$ 63,895	\$ 63,077	\$ 16,625	\$ -	\$ 16,625
Art	25	-	3,450	3,322	153	-	153
Concessions	-	-	13,943	13,943	-	-	-
Flint Hills	-	-	450	450	-	-	-
Into to industrial tech	-	-	270	250	20	-	20
School lunch	854	-	56,507	57,312	49	-	49
Textbooks	-	-	16,103	15,620	483	-	483
Production technology	-	-	2,835	2,673	162	-	162
Driver's ed	-	-	6,790	550	6,240	-	6,240
CADD/Drafting	-	-	20	-	20	-	20
Musical	956	-	1,683	1,002	1,637	-	1,637
Plays	2,522	-	-	642	1,880	-	1,880
Petty cash	-	-	2,249	2,249	-	-	-
Technology tablet fee	-	-	5,128	4,878	250	-	250
Interest income	12	-	226	210	28	-	28
Library	-	-	32	16	16	-	16
Total Anderson County Jr/Sr High School	<u>20,176</u>	<u>-</u>	<u>173,581</u>	<u>166,194</u>	<u>27,563</u>	<u>-</u>	<u>27,563</u>
Garnett Elementary School							
Adult meals	-	-	1,062	1,062	-	-	-
Student meals	-	-	56,134	56,134	-	-	-
Daily Milk	-	-	201	201	-	-	-
Library fund	-	-	4,838	4,838	-	-	-
Music	-	-	193	169	24	-	24
Petty cash	-	-	1,430	1,430	-	-	-
Preschool fee	-	-	13,760	13,760	-	-	-
Textbook rental	-	-	9,820	9,820	-	-	-
Total Garnett Elementary School	<u>-</u>	<u>-</u>	<u>87,438</u>	<u>87,414</u>	<u>24</u>	<u>-</u>	<u>24</u>
Greeley Elementary School							
Textbook	-	-	715	715	-	-	-
Petty Cash	-	-	473	473	-	-	-
Student meals	-	-	6,672	6,672	-	-	-
Adult meals	-	-	745	745	-	-	-
A la carte/milk	-	-	10	10	-	-	-
Total Greeley Elementary School	<u>-</u>	<u>-</u>	<u>8,615</u>	<u>8,615</u>	<u>-</u>	<u>-</u>	<u>-</u>
Westphalia Elementary							
Petty cash	-	-	300	300	-	-	-
Students meals	-	-	5,262	5,262	-	-	-
Adult meals	-	-	2,084	2,084	-	-	-
Enrollment fees	-	-	1,050	1,050	-	-	-
Athletic	135	-	1,574	1,557	152	-	152
Lib & Int	-	-	4	4	-	-	-
Total Westphalia Elementary	<u>135</u>	<u>-</u>	<u>10,274</u>	<u>10,257</u>	<u>152</u>	<u>-</u>	<u>152</u>
Total District Activity Funds	<u>\$ 20,311</u>	<u>\$ -</u>	<u>\$ 279,908</u>	<u>\$ 272,480</u>	<u>\$ 27,739</u>	<u>\$ -</u>	<u>\$ 27,739</u>

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Beginning Unencumbered Cash	Receipts	Expenditures	Ending Unencumbered Cash
<u>U.S. Department of Education</u>					
Passed Through State Department of Education:					
Title I Grants to Local Educational Agencies	84.010	\$ -	\$ 183,882	\$ 183,882	\$ -
Career and Technical Education - Basic Grants to States	84.048	-	1,665	1,665	-
Improving Teacher Quality State Grants	84.367	-	42,685	42,685	-
Student Support and Academic Enrichment Program	84.424	-	17,004	17,004	-
Elementary and Secondary School Emergency Relief Fund	84.425D	-	<u>10,000</u>	<u>8,952</u>	1,048
Total State Department of Education			<u>255,236</u>	<u>254,188</u>	
Passed Through eMINTS National Center:					
Supporting Effective Educator Development	84.423	-	<u>109,580</u>	<u>118,015</u>	[8,435]
Total eMINTS National Center			<u>109,580</u>	<u>118,015</u>	
Total U.S. Department of Education			<u>364,816</u>	<u>372,203</u>	
<u>U.S. Department of Health and Human Services</u>					
Passed Through State Department of Education:					
Youth Risk Behavior Survey	93.938	-	<u>200</u>	<u>200</u>	-
Temporary Assistance for Needy Families Cluster:					
Temporary Assistance for Needy Families	93.558	-	<u>28,826</u>	<u>28,826</u>	-
Total Temporary Assistance for Needy Families Cluster			<u>28,826</u>	<u>28,826</u>	
Total U.S. Department of Health and Human Services			<u>29,026</u>	<u>29,026</u>	
<u>U.S. Department of Agriculture</u>					
Passed Through State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	-	103,373	103,373	-
National School Lunch Program	10.555	-	<u>270,810</u>	<u>270,810</u>	-
Total Child Nutrition Cluster			<u>374,183</u>	<u>374,183</u>	-
Total U.S. Department of Agriculture			<u>374,183</u>	<u>374,183</u>	
Total Expenditures of Federal Awards			<u>\$ 768,025</u>	<u>\$ 775,412</u>	

The accompanying notes are an integral part of this schedule.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

1. General

Unified School District No. 365, Garnett, Kansas, (the District), is the recipient of several federal awards. All federal awards that are received directly from federal agencies, as well as those awards that are passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District, and is presented on the Kansas regulatory basis of accounting which includes cash disbursements, accounts payable and encumbrances. The information presented in this schedule is 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District elected not to use the 10% de minimis indirect cost rate.

3. Local Government Contributions

Local cost sharing is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the District's grant programs for economy and efficiency and program results that may result in disallowed costs to the District. However, management does not believe such audits would result in any disallowed costs that would be material to the District's financial position at June 30, 2020.

5. Outstanding Loans

The District did not have any outstanding loans under any federal grants at June 30, 2020.

6. Pass Through Numbers

Pass through numbers have not been assigned to pass through grants on the schedule of expenditures of federal awards.

UNIFIED SCHOOL DISTRICT NO. 365
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

	Unmodified (Regulatory Basis) Adverse (GAAP)
Type of auditor's report issued:	
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes _____ None reported
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes <u> X </u> 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 section 510(a) of Uniform Guidance?	_____ Yes <u> X </u> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
--	-----------

Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No
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UNIFIED SCHOOL DISTRICT NO. 365
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

Prior Year Findings

Finding 2019-1

Condition - The District currently lacks adequate separation of physical control over cash and accounting control over cash in dealing with food service receipting. In this function, one person can collect cash, record the cash receipt in the system and prepare money for deposit.

Criteria - Internal controls are designed to safeguard assets and help prevent or detect losses from employee error or dishonesty. Separation of duties is a vital component to the District's internal control structure.

Cause - The District's internal controls structure is not properly implemented.

Effect - Controls are not in effect to safeguard assets and help prevent or detect losses from employee error or dishonesty.

Recommendations - We recommend that separate individuals be assigned to physical control and accounting control of cash receipt transactions.

Status - Repeat at 2020-1

Current Year Findings

Finding 2020-1

Condition - The District currently lacks adequate separation of physical control over cash and accounting control over cash in dealing with food service receipting. In this function, one person can collect cash, record the cash receipt in the system and prepare money for deposit.

Criteria - Internal controls are designed to safeguard assets and help prevent or detect losses from employee error or dishonesty. Separation of duties is a vital component to the District's internal control structure.

Cause - The District's internal controls structure is not properly implemented.

Effect - Controls are not in effect to safeguard assets and help prevent or detect losses from employee error or dishonesty.

Recommendations - We recommend that separate individuals be assigned to physical control and accounting control of cash receipt transactions.

Management's Corrective Action Plan - The District will work on getting an internal control structure in place to resolve this issue.

UNIFIED SCHOOL DISTRICT NO. 365
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020

Section III - Federal Award Findings and Questioned Costs

Prior Year Findings

None Noted.

Current Year Findings

None Noted.

**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. 365
Garnett, Kansas

We have audited, 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, the financial statements of the Unified School District No. 365, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 24, 2020.

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

Our 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2020-1, that we consider to be significant deficiencies.

Compliance and Other Matters

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

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.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

November 24, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Unified School District No. 365
Garnett, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Unified School District No. 365, (the District) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal financial 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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), and the Kansas Municipal Audit and Accounting Guide. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

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, 2020.

Report on Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 the 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 the 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 or significant deficiencies. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

November 24, 2020