

UNIFIED SCHOOL DISTRICT NO. 373

NEWTON, KANSAS

FINANCIAL STATEMENT

For the Year Ended June 30, 2018

Unified School District No. 373

For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 373
Newton, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 373, Newton, Kansas (District), as of and for the year ended June 30, 2018 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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 District'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 District'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 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 District as of June 30, 2018, 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 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, 2018, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2018 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, schedule of regulatory basis receipts and disbursements-agency funds, and 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 2018 basic financial statement, but are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 2018 basic financial statement. The 2018 information has been subjected to the auditing procedures applied in the audit of the 2018 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 2018 basic financial statement or to the 2018 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 information is fairly stated in all material respects in relation to the 2018 basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the District as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated November 8, 2017, which contained an unmodified opinion on the basic financial statement. The 2017 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 <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended June 30, 2018 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the 2018 basic financial statement. Such 2017 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 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 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 2017 basic financial statement or to the 2017 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 2017 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, 2017, on the basis of accounting described in Note 1.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the District's basic financial statement. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statement of the District.

The schedule of expenditures of federal awards 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. Such 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 basic financial statement or 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 schedule of expenditures of federal awards 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated December 17, 2018, 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.

Krudsen, Monroe & Company, LLC

Certified Public Accountants
Newton, Kansas
December 17, 2018

Unified School District No. 373

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS

For the Year Ended June 30, 2018

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Funds						
General	\$ -	21,867,116	21,867,116	-	46,206	46,206
Supplemental General	188,378	6,974,188	6,960,629	201,937	655	202,592
Special Purpose Funds						
Adult Basic Education	30,000	19,250	19,250	30,000	19,250	49,250
Bilingual Education	120,640	431,922	432,562	120,000	-	120,000
Virtual Education	28,895	75,000	67,350	36,545	17,044	53,589
Professional Development	256,295	246,818	226,360	276,753	6,825	283,578
At Risk (K-12)	250,000	3,574,066	3,574,066	250,000	-	250,000
At Risk (4 year old)	100,000	278,539	278,539	100,000	-	100,000
Capital Outlay	1,472,108	2,235,051	2,369,647	1,337,512	286,885	1,624,397
Driver Training	49,166	28,464	23,497	54,133	-	54,133
Food Service	529,227	1,679,599	1,737,601	471,225	-	471,225
Parent Education	40,586	103,280	104,160	39,706	-	39,706
Summer School	31,019	10,330	7,984	33,365	-	33,365
Special Education	903,171	4,994,495	4,911,218	986,448	-	986,448
Special Education Cooperative	449,152	7,911,142	8,003,599	356,695	3,756	360,451
Career & Technology Education	311,780	1,432,095	1,433,709	310,166	2,931	313,097
KPERS Employer Contribution	-	3,133,393	3,133,393	-	-	-
Recreation Commission	75,781	1,326,896	1,352,000	50,677	-	50,677
Recreation Commission Employee Benefits	26,584	283,179	299,000	10,763	-	10,763
Contingency Reserve	1,300,000	-	-	1,300,000	-	1,300,000
Textbook and Material Revolving	464,262	178,977	184,466	458,773	4,462	463,235
Employer Fixed Charges	-	177,258	177,258	-	53,325	53,325
Federal and State Grant Programs	(7,402)	1,691,510	1,700,192	(16,084)	4,580	(11,504)
Bond and Interest Fund						
Bond and Interest	3,653,066	4,104,551	3,990,163	3,767,454	-	3,767,454
District Activity Funds						
Gate Receipts	83,236	305,758	307,594	81,400	-	81,400
School Projects	30,842	82,555	84,689	28,708	-	28,708
Total Reporting Entity						
(Excluding Agency Funds)	<u>\$ 10,386,786</u>	<u>63,145,432</u>	<u>63,246,042</u>	<u>10,286,176</u>	<u>445,919</u>	<u>10,732,095</u>
Composition of Cash						
Bank of the West						
Certificate of Deposit					\$	25,000
Midland National Bank						
Checking						157,048
First Bank						
Checking						1,134,711
Municipal Investment Pool						<u>9,817,236</u>
Total Cash						11,133,995
Less Agency Funds (per Schedule 3)						<u>401,900</u>
Total Reporting Entity (Excluding Agency Funds)					\$	<u>10,732,095</u>

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

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

Unified School District No. 373 is a municipal corporation governed by an elected seven-member board. This regulatory financial statement presents Unified School District No. 373 (the District), a municipality.

Regulatory Basis Fund Types

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 specified 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.

Trust Fund – used to report assets held in trust for the benefit of the District (i.e., pension funds, investment trust funds, private purpose trust funds which benefit the District, scholarship funds, etc.).

Agency Fund – used to report assets held by the District in a purely custodial capacity (payroll clearing fund, tax collection accounts, etc.).

District Activity Fund – under provisions of K.S.A. 72-8208a, the Board of Education adopted a resolution relating to the school activity funds which results in the activity funds being accounted for under policies and procedures of the Board. In this financial statement, school activity funds of the District are classified as special purpose and fiduciary funds.

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

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

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

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

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

- Preparation of the budget for the succeeding calendar year on or before August 1st.
- Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- 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. 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, Trust funds or the following Special Purpose funds: Contingency Reserve, Textbook and Material Revolving, Health Insurance Reserve, Employers Fixed Charges, Federal and State Grant Programs, District Activity and Agency 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.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2018

2. IN-SUBSTANCE RECEIPT IN TRANSIT

The District received \$1,712,636 subsequent to June 30, 2018 and as required by K.S.A. 72-6417 and 72-6434, the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2018.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

K.S.A. 10-130 requires municipalities to remit payments for any bonds or interest to the state fiscal agent at least twenty days before the date of maturity. The District's September 2017 general obligation bond payments were not made timely in accordance with this statute.

Per K.S.A. 9-1402, the District's financial institution is required to pledge securities for deposits in excess of FDIC coverage. The District's financial institution did not maintain proper records of pledged securities, which resulted in the District's deposits being inadequately secured at the end of the fiscal year. The issue was resolved immediately after it was discovered.

4. DEPOSITS AND INVESTMENTS

As of June 30, 2018, the District had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	Maturity in Years	<u>Rating U.S.</u>
		<u>Less than 1</u>	
Kansas Municipal Investment Pool	<u>\$ 8,112,053</u>	<u>8,112,053</u>	N/A

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. The rating of the District's investments is noted above.

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. At June 30, 2018, the District held 100% of their investments in the Kansas Municipal Investment Pool.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2018

4. DEPOSITS AND INVESTMENTS (Continued)

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. All deposits were not legally secured at June 30, 2018.

At June 30, 2018, the District's carrying amount of deposits was \$1,316,759 and the bank balance was \$3,775,020. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$447,649 was covered by federal depository insurance, and \$922,477 was collateralized with securities held by the pledging financial institutions' agents in the District's name, and the balance of \$2,404,894 was unsecured.

Custodial Credit Risk – Investments

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

At June 30, 2018, the District had invested \$9,817,236 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2018

5. LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended June 30, 2018, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds									
2007 Refunding & Improvement	4.0-5.0%	12/01/2007	\$ 31,855,000	09/01/2026	\$ 10,065,000	-	6,785,000	3,280,000	424,300
2012 Refunding	2.0%	12/01/2012	9,885,000	09/01/2026	9,195,000	-	150,000	9,045,000	182,400
2013 Refunding	2.0%	06/01/2013	9,845,000	09/01/2024	6,800,000	-	120,000	6,680,000	134,800
2014 Refunding	2.0-3.0%	12/01/2014	9,635,000	09/01/2022	9,285,000	-	1,050,000	8,235,000	223,663
2018 Refunding	4.0%	06/28/2018	5,000,000	09/01/2020	-	5,000,000	-	5,000,000	-
					<u>35,345,000</u>	<u>5,000,000</u>	<u>8,105,000</u>	<u>32,240,000</u>	<u>965,163</u>
Capital Lease Payable									
Wireless radio upgrade	4.09%	03/15/2016	163,559	03/15/2019	81,711	-	40,022	41,689	3,405
Total contractual indebtedness					<u>\$ 35,426,711</u>	<u>5,000,000</u>	<u>8,145,022</u>	<u>32,281,689</u>	<u>968,568</u>

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

	Year Ending June 30						Total
	2019	2020	2021	2022	2023	2024 to 2027	
Principal							
General obligation bonds	\$ 3,190,000	3,360,000	3,560,000	3,860,000	3,965,000	14,305,000	32,240,000
Capital lease payable	<u>41,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,689</u>
Total principal	<u>3,231,689</u>	<u>3,360,000</u>	<u>3,560,000</u>	<u>3,860,000</u>	<u>3,965,000</u>	<u>14,305,000</u>	<u>32,281,689</u>
Interest							
General obligation bonds	865,463	679,337	551,913	445,156	344,100	469,150	3,355,119
Capital lease payable	<u>1,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,737</u>
Total interest	<u>867,200</u>	<u>679,337</u>	<u>551,913</u>	<u>445,156</u>	<u>344,100</u>	<u>469,150</u>	<u>3,356,856</u>
Total principal and interest	<u>\$ 4,098,889</u>	<u>4,039,337</u>	<u>4,111,913</u>	<u>4,305,156</u>	<u>4,309,100</u>	<u>14,774,150</u>	<u>35,638,545</u>

On June 28, 2018, the District issued \$5,000,000 of General Obligation Refunding Bonds, Series 2018, with an interest rate of 4.0%. The bond proceeds were used to advance refund a portion of the Series 2007 General Obligation bonds with an interest rate of 5.0%. The Series 2018 bonds were issued at a premium of \$158,524, and after paying underwriter's discount costs of \$44,500, the net proceeds were \$5,114,024. \$5,080,000 of the proceeds were deposited in the Kansas State Treasurer Escrow Account to pay an equal amount of the 2007 General Obligation Bonds which were callable on September 1, 2018. As a result, this portion of the 2007 bonds are considered to be defeased. The transaction resulted in an economic gain of approximately \$108,555 and a reduction of \$80,000 in future debt payments.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2018

6. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
General	Bilingual Education	K.S.A. 72-6478	\$ 10,000
General	Virtual Education	K.S.A. 72-6478	75,000
General	Professional Development	K.S.A. 72-6478	116,917
General	At Risk (K-12)	K.S.A. 72-6478	2,453,831
General	At Risk (4 year old)	K.S.A. 72-6478	20,000
General	Capital Outlay	K.S.A. 72-6478	40,818
General	Parent Education	K.S.A. 72-6478	30,000
General	Special Education	K.S.A. 72-6478	3,663,174
General	Career & Technology Education	K.S.A. 72-6478	2,931
Supplemental General	Adult Basic Education	K.S.A. 72-6478	19,250
Supplemental General	Bilingual Education	K.S.A. 72-6478	421,922
Supplemental General	Professional Development	K.S.A. 72-6478	111,583
Supplemental General	At Risk (K-12)	K.S.A. 72-6478	1,109,689
Supplemental General	At Risk (4 year old)	K.S.A. 72-6478	258,539
Supplemental General	Special Education	K.S.A. 72-6478	1,239,042
Supplemental General	Career & Technology Education	K.S.A. 72-6478	1,292,781
Special Education	Special Education Cooperative	K.S.A. 72-6478	4,644,859
			<u>\$ 15,510,336</u>

7. 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.

Sick Leave

Classified employees on a 12-month contract who work at least 20 hours per week are credited with 9 days of sick leave after 60 days of continuous service. After the initial 60-day period, classified employees accrue sick leave monthly and may accumulate 130 days of total compensated leave.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2018

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

Certified teaching staff is credited with 16 days of temporary chargeable leave (due to illness, bereavement, etc.) on the first day of their employment with the District. After the first year, the teacher receives 11 days of additional leave per year which may be accumulated to 120 days. No compensation is paid for unused leave upon termination. The estimated liability for accrued leave has not been recorded in the financial statement.

Vacations

Classified 12-month employees who work at least 20 hours per week receive 10 days of paid vacation per year during the first 5 years of service. The employee is credited with 5 days of paid vacation after the completion of 6 months of service, then accrues 10/12 of a day's vacation for each month worked. After 5 years of service, the 12-month employee is credited with 5 additional days per year. Vacation time credited to an employee at July 1 of any year must be used by June 30 of the following year. The estimated liability for accrued vacations has not been recorded in the financial statement.

Early Retirement Pension Plan

The District provides an early retirement program for certain eligible employees. The plan defines those eligible as employees who are "currently employed in licensed employment or administrative employment with the District." Eligible retirees under this program may receive benefits for up to 12 years. Payments to retired employees under this plan for the years ended June 30, 2018 and 2017, were \$544,968 and \$604,408, respectively.

8. 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.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2018

8. DEFINED BENEFIT PENSION PLAN (Continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium for the period of July 1, 2017 through September 30, 2017 for the Death and Disability Program) was 10.81% for the fiscal year ended June 30, 2017. The actuarially determined employer contribution rate was 12.01% for the fiscal year ended June 30, 2018. Per House Substitute for Senate Bill 161, section 98(a)(1), state general fund and expanded lottery act revenue funds for employer contributions to KPERS were deferred. The amount deferred for school contributions was \$92,917,091 for the fiscal year ended June 30, 2016 and the anticipated repayments per SB249 were nullified per HB2052 during fiscal year 2017.

The State of Kansas contribution to KPERS for all school municipalities for the year ending June 30, 2018, received as of June 30th was \$446,603,946. Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by \$64,130,234 for the fiscal year ended June 30, 2017. Section 43(17) 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 2018. The level dollar amount was computed to be \$6.4 million dollars per year.

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 \$3,133,393 for the year ended June 30, 2018.

Net Pension Liability

At June 30, 2018, the District's proportionate share of the collective net pension liability reported by KPERS was \$36,490,582. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. 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, 2017. 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.

9. RELATED PARTY TRANSACTIONS

The District is the taxing authority for the Newton Recreation Commission. During the fiscal year ended June 30, 2018, the District levied a total tax of 8.979 mills for the Newton Recreation Commission Fund, which in turn is appropriated to the Newton Recreation Commission for its operations.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2018

10. RISK MANAGEMENT AND CLAIMS

The District participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of the date of this report, not all grant expenditures have been audited, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

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 has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other school districts in the State to participate in the Kansas Association of School Boards Workers Compensation (KASB) Fund, a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The District pays an annual premium to the KASB for its workers' compensation insurance coverage. The agreement to participate provides that the KASB fund will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KASB management. The District records a liability for estimated additional contributions that may be incurred due to adjustments made by the KASB. The cost of this workers' compensation coverage is charged to District funds based on actual payroll expenditures.

The District continues to carry commercial insurance for all other risks of loss, including liability, property, inland marine, linebacker, and fleet coverage. There have been no significant reductions in insurance coverage from 2017 to 2018, and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations, the District is exposed to various claims, legal actions and complaints. It is of the opinion of the District's management and legal counsel that any current matters are not anticipated to have a material impact on the District.

11. DATE OF MANAGEMENT REVIEW

Management has performed an analysis of the activities and transactions subsequent to June 30, 2018, to determine the need for any adjustments to and/or disclosures within the audited financial statement. Management has performed their analysis through December 17, 2018, which is the date at which the financial statement was available to be issued.

UNIFIED SCHOOL DISTRICT NO. 373

REGULATORY – REQUIRED

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2018

Unified School District No. 373

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

	<u>Certified Budget</u>	<u>Adjustment to Comply with Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General Funds						
General	\$ 21,176,269	(287,295)	978,142	21,867,116	21,867,116	-
Supplemental General	6,984,257	(23,628)	-	6,960,629	6,960,629	-
Special Purpose Funds						
Adult Basic Educaiton	30,000	-	-	30,000	19,250	(10,750)
Bilingual Education	468,595	-	-	468,595	432,562	(36,033)
Virtual Education	96,749	-	-	96,749	67,350	(29,399)
Professional Development	276,295	-	-	276,295	226,360	(49,935)
At Risk (K-12)	3,932,781	-	-	3,932,781	3,574,066	(358,715)
At Risk (4 year old)	296,192	-	-	296,192	278,539	(17,653)
Capital Outlay	3,308,763	-	-	3,308,763	2,369,647	(939,116)
Driver Training	61,766	-	-	61,766	23,497	(38,269)
Food Service	2,386,499	-	-	2,386,499	1,737,601	(648,898)
Parent Education	142,056	-	-	142,056	104,160	(37,896)
Summer School	31,019	-	-	31,019	7,984	(23,035)
Special Education	5,316,290	-	-	5,316,290	4,911,218	(405,072)
Special Education Cooperative	8,821,867	-	-	8,821,867	8,003,599	(818,268)
Career & Technology Education	1,534,175	-	-	1,534,175	1,433,709	(100,466)
KPERS Employer Contribution	3,152,604	-	-	3,152,604	3,133,393	(19,211)
Recreation Commission	1,352,000	-	-	1,352,000	1,352,000	-
Recreation Commission Employee Benefits	299,000	-	-	299,000	299,000	-
Bond and Interest Fund	3,990,663	-	-	3,990,663	3,990,163	(500)

Unified School District No. 373

General Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
GENERAL				
RECEIPTS				
General state aid	\$ 17,147,764	18,075,800	18,084,248	(8,448)
KPERS state aid	2,001,653	-	-	-
Special education state aid	2,797,669	2,813,174	3,092,021	(278,847)
Interest	43,072	-	-	-
Reimbursements				
State aid reimbursements	79,178	104,156	-	104,156
Fees and other	931,053	867,983	-	867,983
Miscellaneous	-	6,003	-	6,003
Transfer from				
Driver Training	29,853	-	-	-
Summer School	6,466	-	-	-
Health Self-insurance Reserve	275,847	-	-	-
Total Receipts	23,312,555	21,867,116	21,176,269	690,847
EXPENDITURES, page 16	23,312,555	21,867,116		
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	-	-		
UNENCUMBERED CASH, ending	\$ -	-		

Unified School District No. 373

General Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
EXPENDITURES				
Instruction	8,025,056	8,632,054	9,004,494	(372,440)
Student support services	935,008	946,038	977,104	(31,066)
Instructional support staff	707,681	772,592	739,679	32,913
General administration	177,683	192,604	218,932	(26,328)
School administration	1,948,131	2,012,053	1,940,131	71,922
Other support services	62,771	69,144	64,240	4,904
Operations and maintenance	2,060,183	2,116,822	1,978,299	138,523
Student transportation	537,719	553,200	460,734	92,466
Community services	168,613	159,938	15,000	144,938
Transfer to				
Bilingual Education	179,428	10,000	10,000	-
Virtual Education	51,970	75,000	67,854	7,146
Professional Development	250,000	116,917	-	116,917
At Risk (K-12)	2,615,464	2,453,831	2,587,781	(133,950)
At Risk (4 year old)	78,000	20,000	20,000	-
Capital Outlay	-	40,818	-	40,818
Parent Education	30,000	30,000	-	30,000
Summer School	10,000	-	-	-
Special Education	3,082,797	3,663,174	3,092,021	571,153
KPERS Employer Contribution	2,001,653	-	-	-
Career & Technology Education	20,000	2,931	-	2,931
Textbook and Material Revolving	350,000	-	-	-
Health Self-insurance Reserve	20,398	-	-	-
	23,312,555	21,867,116	21,176,269	690,847
Legal maximum budget adjustment	-	-	(287,295)	287,295
	23,312,555	21,867,116	20,888,974	978,142
Budget adjustments:				
Qualifying budget credits	-	-	978,142	(978,142)
Total Expenditures	23,312,555	21,867,116	21,867,116	-

Unified School District No. 373

General Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
SUPPLEMENTAL GENERAL				
RECEIPTS				
Tax in process	\$ 114,919	21,088	96,970	(75,882)
Current tax	2,237,257	2,505,867	2,607,339	(101,472)
Delinquent tax	49,570	39,026	36,097	2,929
Motor vehicle tax	277,695	320,687	296,732	23,955
State aid	-	4,087,520	4,087,520	-
Transfer from General	4,218,840	-	-	-
Total receipts	6,898,281	6,974,188	7,124,658	(150,470)
EXPENDITURES				
Instruction	111,861	50,294	230,141	(179,847)
Student support services	7,200	13,910	-	13,910
Instructional support staff	382,752	406,634	406,303	331
General administration	344,770	266,805	256,556	10,249
Other support services	440,470	562,458	484,830	77,628
Operations and maintenance	1,296,939	1,207,722	1,595,982	(388,260)
Transfer to				
Adult Basic Education	19,250	19,250	19,250	-
Bilingual Education	291,150	421,922	337,955	83,967
Professional Development	-	111,583	-	111,583
At Risk (K-12)	832,597	1,109,689	1,090,000	19,689
At Risk (4 year old)	241,472	258,539	176,192	82,347
Parent Education	-	-	32,963	(32,963)
Special Education	1,546,659	1,239,042	1,246,098	(7,056)
Career & Technology Education	1,396,479	1,292,781	1,107,987	184,794
	6,911,599	6,960,629	6,984,257	(23,628)
Legal max adjustment	-	-	(23,628)	23,628
Total expenditures	6,911,599	6,960,629	6,960,629	-
Receipts over (under) expenditures	(13,318)	13,559		
UNENCUMBERED CASH, beginning	201,696	188,378		
UNENCUMBERED CASH, ending	\$ 188,378	201,937		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
ADULT BASIC EDUCATION				
RECEIPTS				
Transfer from				
Supplemental General	\$ 19,250	19,250	19,250	-
EXPENDITURES				
Instruction	19,250	19,250	30,000	(10,750)
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	30,000	30,000		
UNENCUMBERED CASH, ending	\$ 30,000	30,000		
BILINGUAL EDUCATION				
RECEIPTS				
Transfer from				
General	\$ 179,428	10,000	10,000	-
Supplemental General	291,150	421,922	337,955	83,967
Total receipts	470,578	431,922	347,955	83,967
EXPENDITURES				
Instruction	450,313	432,562	468,595	(36,033)
Receipts over (under) expenditures	20,265	(640)		
UNENCUMBERED CASH, beginning	100,375	120,640		
UNENCUMBERED CASH, ending	\$ 120,640	120,000		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
VIRTUAL EDUCATION				
RECEIPTS				
Transfer from General	\$ 51,970	75,000	67,854	7,146
EXPENDITURES				
Instruction	55,345	65,750	95,749	(29,999)
Other	727	1,600	1,000	600
Total expenditures	56,072	67,350	96,749	(29,399)
Receipts over (under) expenditures	(4,102)	7,650		
UNENCUMBERED CASH, beginning	32,997	28,895		
UNENCUMBERED CASH, ending	\$ 28,895	36,545		
PROFESSIONAL DEVELOPMENT				
RECEIPTS				
State aid	\$ -	18,318	20,000	(1,682)
Transfer from				
General	250,000	116,917	-	116,917
Supplemental General	-	111,583	-	111,583
Total receipts	250,000	246,818	20,000	226,818
EXPENDITURES				
Instructional staff support				
Salaries and benefits	78,926	69,052	76,995	(7,943)
Consultants	75,535	97,905	85,000	12,905
School administration	2,131	1,300	-	1,300
Registration and travel	11,945	33,285	56,800	(23,515)
Supplies and other	25,198	24,818	57,500	(32,682)
Total expenditures	193,735	226,360	276,295	(49,935)
Receipts over (under) expenditures	56,265	20,458		
UNENCUMBERED CASH, beginning	200,030	256,295		
UNENCUMBERED CASH, ending	\$ 256,295	276,753		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		
	Prior Year			Variance -
	Actual	Actual	Budget	Over
				(Under)
AT RISK (K-12)				
RECEIPTS				
Other	\$ -	10,546	5,000	5,546
Transfer from				
General	2,615,464	2,453,831	2,587,781	(133,950)
Supplemental General	832,597	1,109,689	1,090,000	19,689
Total receipts	3,448,061	3,574,066	3,682,781	(108,715)
EXPENDITURES				
Instruction	3,398,061	3,574,066	3,932,781	(358,715)
Receipts over (under) expenditures	50,000	-		
UNENCUMBERED CASH, beginning	200,000	250,000		
UNENCUMBERED CASH, ending	\$ 250,000	250,000		
AT RISK (4 Year Old)				
RECEIPTS				
Transfer from				
General	\$ 78,000	20,000	20,000	-
Supplemental General	241,472	258,539	176,192	82,347
Total receipts	319,472	278,539	196,192	82,347
EXPENDITURES				
Instruction	195,605	185,659	214,159	(28,500)
Student support services	6,836	7,096	7,489	(393)
School administration	32,443	33,304	34,139	(835)
Student transportation	29,204	45,958	35,386	10,572
Other supplemental services	5,384	6,522	5,019	1,503
Total expenditures	269,472	278,539	296,192	(17,653)
Receipts over (under) expenditures	50,000	-		
UNENCUMBERED CASH, beginning	50,000	100,000		
UNENCUMBERED CASH, ending	\$ 100,000	100,000		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
CAPITAL OUTLAY				
RECEIPTS				
Tax in process	\$ 61,246	12,964	50,682	(37,718)
Current tax	1,193,922	1,075,228	1,003,712	71,516
Delinquent tax	18,890	17,632	19,244	(1,612)
Motor vehicle tax	168,261	170,959	158,095	12,864
Capital outlay state aid	659,355	577,320	579,922	(2,602)
Interest	-	119,879	25,000	94,879
Sale of assets and other	2,136	220,251	-	220,251
Transfer from General	-	40,818	-	40,818
Total receipts	<u>2,103,810</u>	<u>2,235,051</u>	<u>1,836,655</u>	<u>398,396</u>
EXPENDITURES				
Instruction	1,160,454	900,849	1,475,000	(574,151)
Instructional support services	260,459	447,785	247,041	200,744
Student support services	-	7,200	-	7,200
School administration	7,201	124,069	66,236	57,833
Operations and maintenance	41,699	(287)	75,000	(75,287)
Other support services	133,994	164,200	150,000	14,200
Transportation	96,196	178,942	150,000	28,942
Facilities acquisition and construction	<u>958,307</u>	<u>546,889</u>	<u>1,145,486</u>	<u>(598,597)</u>
Total expenditures	<u>2,658,310</u>	<u>2,369,647</u>	<u>3,308,763</u>	<u>(939,116)</u>
Receipts over (under) expenditures	(554,500)	(134,596)		
UNENCUMBERED CASH, beginning	<u>2,026,608</u>	<u>1,472,108</u>		
UNENCUMBERED CASH, ending	\$ 1,472,108	1,337,512		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
DRIVER TRAINING				
RECEIPTS				
State aid	\$ 13,568	11,520	12,600	(1,080)
Fees and other	18,260	16,944	-	16,944
Total receipts	31,828	28,464	12,600	15,864
EXPENDITURES				
Instruction				
Salaries and benefits	17,485	17,797	42,766	(24,969)
Supplies and other	203	106	3,500	(3,394)
Vehicle operations and maintenance	5,171	5,594	15,500	(9,906)
Transfer to General	29,853	-	-	-
Total expenditures	52,712	23,497	61,766	(38,269)
Receipts over (under) expenditures	(20,884)	4,967		
UNENCUMBERED CASH, beginning	70,050	49,166		
UNENCUMBERED CASH, ending	\$ 49,166	54,133		
FOOD SERVICE				
RECEIPTS				
Meal sales	\$ 642,128	608,005	754,334	(146,329)
Federal aid	1,109,142	1,018,598	1,068,323	(49,725)
State aid	17,267	17,144	14,615	2,529
Other	34,137	35,852	20,000	15,852
Total receipts	1,802,674	1,679,599	1,857,272	(177,673)
EXPENDITURES				
Food service operation				
Salaries and benefits	822,542	841,444	848,724	(7,280)
Food and supplies	734,845	682,843	1,116,025	(433,182)
Capital outlay and other	238,878	183,272	381,750	(198,478)
Operations and maintenance	32,066	30,042	40,000	(9,958)
Total expenditures	1,828,331	1,737,601	2,386,499	(648,898)
Receipts over (under) expenditures	(25,657)	(58,002)		
UNENCUMBERED CASH, beginning	554,884	529,227		
UNENCUMBERED CASH, ending	\$ 529,227	471,225		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
PARENT EDUCATION				
RECEIPTS				
State aid	\$ 60,120	60,120	55,611	4,509
Other district contributions	12,896	13,160	12,896	264
Transfer from				
General	30,000	30,000	-	30,000
Supplemental General	-	-	32,963	(32,963)
Total receipts	<u>103,016</u>	<u>103,280</u>	<u>101,470</u>	<u>1,810</u>
EXPENDITURES				
Student support services				
Salaries and benefits	83,669	91,826	101,056	(9,230)
Supplies and travel	8,936	3,193	12,000	(8,807)
Other	-	-	20,000	(20,000)
Instructional staff support	7,377	7,141	7,000	141
Operations and maintenance	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total expenditures	<u>101,982</u>	<u>104,160</u>	<u>142,056</u>	<u>(37,896)</u>
Receipts over (under) expenditures	1,034	(880)		
UNENCUMBERED CASH, beginning	<u>39,552</u>	<u>40,586</u>		
UNENCUMBERED CASH, ending	<u>\$ 40,586</u>	<u>39,706</u>		
SUMMER SCHOOL				
RECEIPTS				
Student fees	\$ 10,750	10,330	-	10,330
Transfer from General	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>20,750</u>	<u>10,330</u>	<u>-</u>	<u>10,330</u>
EXPENDITURES				
Instruction	9,815	7,984	29,719	(21,735)
School administration	-	-	1,300	(1,300)
Transfer to General	<u>6,466</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>16,281</u>	<u>7,984</u>	<u>31,019</u>	<u>(23,035)</u>
Receipts over (under) expenditures	4,469	2,346		
UNENCUMBERED CASH, beginning	<u>26,550</u>	<u>31,019</u>		
UNENCUMBERED CASH, ending	<u>\$ 31,019</u>	<u>33,365</u>		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
SPECIAL EDUCATION				
RECEIPTS				
Grant income	\$ -	19,138	-	19,138
Medicaid	91,662	71,590	70,000	1,590
Other	4,521	1,551	5,000	(3,449)
Transfer from				
General	3,082,797	3,663,174	3,092,021	571,153
Supplemental General	1,546,659	1,239,042	1,246,098	(7,056)
Total receipts	4,725,639	4,994,495	4,413,119	581,376
EXPENDITURES				
Transfer to				
Special Education Cooperative	4,195,476	4,644,859	4,920,996	(276,137)
Instruction	35,977	40,463	150,000	(109,537)
Transportation	191,015	225,896	245,294	(19,398)
Total expenditures	4,422,468	4,911,218	5,316,290	(405,072)
Receipts over (under) expenditures	303,171	83,277		
UNENCUMBERED CASH, beginning	600,000	903,171		
UNENCUMBERED CASH, ending	\$ 903,171	986,448		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
SPECIAL EDUCATION COOPERATIVE				
RECEIPTS				
Title VI and other federal aid	\$ 1,241,014	1,206,008	1,211,757	(5,749)
Medicaid reimbursements	396,407	120,506	250,000	(129,494)
Transfer from Special Education	4,195,476	4,644,859	4,920,996	(276,137)
Other District contributions	1,795,590	1,893,289	1,947,662	(54,373)
Other income	26,082	46,480	42,300	4,180
Total receipts	7,654,569	7,911,142	8,372,715	(461,573)
EXPENDITURES				
Instruction	5,986,158	6,110,527	6,827,065	(716,538)
Student support services	1,502,608	1,468,788	1,564,413	(95,625)
Instructional staff support	88,978	96,468	86,564	9,904
General administration	253,337	253,894	262,219	(8,325)
School administration	22,029	22,421	22,506	(85)
Operation and maintenance	6,507	8,867	6,600	2,267
Student transportation	26,535	17,572	25,000	(7,428)
Other supplemental services	27,050	25,062	27,500	(2,438)
Total expenditures	7,913,202	8,003,599	8,821,867	(818,268)
Receipts over (under) expenditures	(258,633)	(92,457)		
UNENCUMBERED CASH, beginning	707,785	449,152		
UNENCUMBERED CASH, ending	\$ 449,152	356,695		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
CAREER & TECHNOLOGY EDUCATION				
RECEIPTS				
Tuition	\$ 61,901	100,429	75,000	25,429
Federal vocational grant	34,435	33,740	31,408	2,332
Other	1,624	2,214	8,000	(5,786)
Transfer from				
General	20,000	2,931	-	2,931
Supplemental General	1,396,479	1,292,781	1,107,987	184,794
Total receipts	1,514,439	1,432,095	1,222,395	209,700
EXPENDITURES				
Instruction	1,249,198	1,239,259	1,323,122	(83,863)
Instructional staff support	145,927	55,635	59,691	(4,056)
Student support services	1,744	1,333	1,333	-
School administration	3,446	96,818	99,414	(2,596)
Operations and maintenance	35,456	32,900	43,000	(10,100)
Other support services	8,691	7,764	7,615	149
Total expenditures	1,444,462	1,433,709	1,534,175	(100,466)
Receipts over (under) expenditures	69,977	(1,614)		
UNENCUMBERED CASH, beginning	241,803	311,780		
UNENCUMBERED CASH, ending	\$ 311,780	310,166		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
KPERS EMPLOYER CONTRIBUTION				
RECEIPTS				
State aid	\$ -	3,133,393	3,152,604	(19,211)
Transfer from General	<u>2,001,653</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>2,001,653</u>	<u>3,133,393</u>	<u>3,152,604</u>	<u>(19,211)</u>
EXPENDITURES				
Instruction	1,306,078	2,039,839	2,052,404	(12,565)
Student support services	173,543	273,545	275,322	(1,777)
Instructional support services	86,872	139,123	140,124	(1,001)
General administration	40,233	62,668	63,089	(421)
School administration	133,711	206,491	207,660	(1,169)
Other supplemental services	37,231	59,534	78,052	(18,518)
Operations and maintenance	115,095	175,783	176,821	(1,038)
Student transportation services	45,037	73,635	72,346	1,289
Food service operations	54,845	86,168	86,786	(618)
Community service operations	<u>9,008</u>	<u>16,607</u>	<u>-</u>	<u>16,607</u>
Total expenditures	<u>2,001,653</u>	<u>3,133,393</u>	<u>3,152,604</u>	<u>(19,211)</u>
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	<u>-</u>	<u>-</u>		
UNENCUMBERED CASH, ending	\$ -	-		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
RECREATION COMMISSION				
RECEIPTS				
Tax in process	\$ 50,462	10,168	45,469	(35,301)
Current tax	1,057,973	1,154,847	1,080,140	74,707
Delinquent tax	20,089	16,770	17,062	(292)
Motor vehicle tax	139,881	145,111	133,646	11,465
Total receipts	1,268,405	1,326,896	1,276,317	50,579
EXPENDITURES				
Appropriation to Recreation Commission	1,272,000	1,352,000	1,352,000	-
Receipts over (under) expenditures	(3,595)	(25,104)		
UNENCUMBERED CASH, beginning	79,376	75,781		
UNENCUMBERED CASH, ending	\$ 75,781	50,677		
RECREATION COMMISSION				
EMPLOYEE BENEFITS				
RECEIPTS				
Tax in process	\$ 12,553	2,459	10,248	(7,789)
Current tax	241,307	241,973	226,090	15,883
Delinquent tax	4,613	3,899	3,889	10
Motor vehicle tax	33,467	34,848	32,295	2,553
Total receipts	291,940	283,179	272,522	10,657
EXPENDITURES				
Appropriations to Recreation Commission	290,000	299,000	299,000	-
Receipts over (under) expenditures	1,940	(15,821)		
UNENCUMBERED CASH, beginning	24,644	26,584		
UNENCUMBERED CASH, ending	\$ 26,584	10,763		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>2017</u>	<u>2018</u>
CONTINGENCY RESERVE		
RECEIPTS	\$ -	-
EXPENDITURES	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	-	-
UNENCUMBERED CASH, beginning	<u>1,300,000</u>	<u>1,300,000</u>
UNENCUMBERED CASH, ending	<u><u>\$ 1,300,000</u></u>	<u><u>1,300,000</u></u>
TEXTBOOK AND MATERIAL REVOLVING		
RECEIPTS		
Fees and other	\$ 149,282	178,977
Transfer from General	<u>350,000</u>	<u>-</u>
Total receipts	499,282	178,977
EXPENDITURES		
Instruction	<u>464,953</u>	<u>184,466</u>
Receipts over (under) expenditures	34,329	(5,489)
UNENCUMBERED CASH, beginning	<u>429,933</u>	<u>464,262</u>
UNENCUMBERED CASH, ending	<u><u>\$ 464,262</u></u>	<u><u>458,773</u></u>

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>2017</u>	<u>2018</u>
HEALTH SELF-INSURANCE RESERVE		
RECEIPTS		
Transfer from General	\$ 20,398	-
EXPENDITURES		
Health care costs	17,597	-
Transfer to General	<u>275,847</u>	-
Total expenditures	<u>293,444</u>	-
Receipts over (under) expenditures	(273,046)	-
UNENCUMBERED CASH, beginning	<u>273,046</u>	-
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>-</u>
 EMPLOYERS FIXED CHARGES		
RECEIPTS	\$ 73,850	177,258
EXPENDITURES		
Workers Compensation Insurance	<u>73,850</u>	<u>177,258</u>
Receipts over (under) expenditures	-	-
UNENCUMBERED CASH, beginning	<u>-</u>	<u>-</u>
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>-</u>

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
REGULATORY BASIS

For the Year Ended June 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Current Year							
	Prior Year Total	Title I	Title II Quality & Technology	Title III Eng. Lang. Acquisition	Title IV, A Student Support & Academic Enrichment	Head Start	After School Enhance.	Total
FEDERAL AND STATE GRANT PROGRAMS								
RECEIPTS								
Federal and state aid	\$1,840,712	598,122	133,501	15,065	9,786	921,813	13,223	1,691,510
EXPENDITURES								
Instruction	1,117,859	608,935	4,373	15,065	9,786	487,557	13,223	1,138,939
Student support services	143,977	-	-	-	-	168,112	-	168,112
Instructional support staff	234,695	10,313	114,488	-	-	7,545	-	132,346
School administration	91,243	-	-	-	-	88,311	-	88,311
Other support services	28,264	-	-	-	-	34,241	-	34,241
Operations and maintenance	1,500	-	-	-	-	-	-	-
Student transportation	139,509	-	-	-	-	96,346	-	96,346
Food service	38,164	-	-	-	-	41,897	-	41,897
Total expenditures	1,795,211	619,248	118,861	15,065	9,786	924,009	13,223	1,700,192
Receipts over (under) expenditures	45,501	(21,126)	14,640	-	-	(2,196)	-	(8,682)
UNENCUMBERED CASH, beginning	(52,903)	7,238	(14,640)	-	-	-	-	(7,402)
UNENCUMBERED CASH, ending	\$ (7,402)	(13,888)	-	-	-	(2,196)	-	(16,084)

Unified School District No. 373

Bond and Interest Fund

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		Current Year		Variance -
	Prior Year			Over
	Actual	Actual	Budget	(Under)
BOND AND INTEREST				
RECEIPTS				
Tax in process	\$ 90,622	16,469	71,795	(55,326)
Current tax	1,654,573	1,718,982	1,607,085	111,897
Delinquent tax	37,652	29,204	26,692	2,512
Motor vehicle tax	251,742	246,676	229,163	17,513
Bond proceeds	-	18,335	-	18,335
State aid	2,034,936	2,074,885	2,074,885	-
Total receipts	4,069,525	4,104,551	4,009,620	94,931
EXPENDITURES				
Principal	2,850,000	3,025,000	3,025,000	-
Interest	1,063,338	965,163	965,163	-
Other	-	-	500	(500)
Total expenditures	3,913,338	3,990,163	3,990,663	(500)
Receipts over (under) expenditures	156,187	114,388		
UNENCUMBERED CASH, beginning	3,496,879	3,653,066		
UNENCUMBERED CASH, ending	\$ 3,653,066	3,767,454		

Unified School District No. 373

Agency Funds

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS

For the Year Ended June 30, 2018

Student Organizations	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Newton High School				
Class of 2017	\$ 1,426	8,830	8,879	1,377
AD Food Club - Food 4 Life	3,058	75	-	3,133
Art Club	857	1,786	1,823	820
Auto Mechanics	28	-	-	28
Auto Mechanics VICA	1,066	1,158	726	1,498
Azteca	1,734	50	358	1,426
Azteca Dance Troupe	588	996	1,341	243
Broadcasting	440	-	-	440
Brothers & Sisters For Life	31	-	-	31
BTC Weld VICA	3,139	1,629	3,032	1,736
Business Professionals of America	472	9,786	8,358	1,900
BPA Printing - Railer Ink	32	922	423	531
BPA Train Stop Store	340	224	162	402
Cheerleaders Special	2,857	14,053	13,954	2,956
Chemistry/Physics	524	811	827	508
CTE Scholarships	500	-	-	500
Debate	-	4,598	2,870	1,728
D.E.C.A.	8,713	13,655	18,092	4,276
EPC Greenhouse	783	-	300	483
ELP Contests	6	-	-	6
F.C.A.	164	50	-	214
F.E.A.	131	-	-	131
F.F.A.	13,214	16,498	15,814	13,898
F.F.A. Vending	7,087	936	908	7,115
F.C.C.L.A.	1,519	3,453	4,642	330
Forensics	-	6,224	2,926	3,298
French Club	67	25	61	31
French Club Honor Society	50	123	76	97
German Club	513	2,539	2,438	614
German Club Honor Society	-	363	363	-
G.S.A.	80	-	-	80
Hall of Fame	7,291	-	343	6,948
HIRE - Helping Individual Reach	45	-	-	45

Unified School District No. 373

Agency Funds

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS

For the Year Ended June 30, 2018

Student Organizations (Continued)	Beginning Balance	Receipts	Disbursements	Ending Balance
SOSO -Student Owned Student	58	787	818	27
Hobby Club	323	-	-	323
H.O.S.A.	60	395	441	14
Job for Americas' Graduates	180	-	113	67
Jazz Club	10,836	55,233	60,816	5,253
Laser Works-Markit	2,433	4,539	4,422	2,550
Law Enforcement (LERO)	61	-	-	61
M & M Railer Embroidery	1,250	172	960	462
Model U.N.	222	125	273	74
Multi-Racial Students Racial Justice	-	1,221	152	1,069
Native Speaker Club	45	-	45	-
National Honor Society	112	1,526	1,271	367
Nutrition Advisory Council	48	-	-	48
OFACS	4	-	-	4
Peace Club	51	-	51	-
Railer Ambassadors	845	45	10	880
Railer Designs	105	-	-	105
Railiners Special	1,295	10,778	10,871	1,202
Railrooters/Do Crew Pep Club	1,744	1,195	1,257	1,682
Rotary Interact Club	1,113	-	-	1,113
S.A.D.D.	49	-	49	-
SCABS	133	-	-	133
Scholars Bowl	526	1,975	1,988	513
Spanish Club	48	195	205	38
Spanish Club Honor Society	100	110	166	44
Student Council	3,041	9,011	6,334	5,718
Student Athlete Letter Jacket/PFP	141	125	-	266
Thespians	377	7,142	7,477	42
Tri-M Society	278	1,113	1,009	382
V.I.C.A. Machine	336	2,410	1,995	751
WE	752	1,086	493	1,345
We Can	293	1,080	1,097	276
Young Entrepreneurs of Kansas	407	-	-	407
Weight Room Equipment	170	-	-	170
	<u>84,191</u>	<u>189,047</u>	<u>191,029</u>	<u>82,209</u>

Unified School District No. 373

Agency Funds

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS

For the Year Ended June 30, 2018

Student Organizations (Continued)	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Santa Fe Middle School				
Book fair	39	-	-	39
Yearbook	2	-	-	2
	<u>41</u>	<u>-</u>	<u>-</u>	<u>41</u>
Chisholm Middle School				
Book fair	241	741	969	13
Yearbook	40	4,515	3,978	577
Student Council	9,021	5,515	11,947	2,589
Social	602	-	-	602
	<u>9,904</u>	<u>10,771</u>	<u>16,894</u>	<u>3,781</u>
Total Student Organizations	<u>94,136</u>	<u>199,818</u>	<u>207,923</u>	<u>86,031</u>
High School Activity Sales Tax	-	19,074	19,074	-
Pension Trust	-	544,968	544,968	-
Gift Funds	<u>347,567</u>	<u>145,685</u>	<u>177,383</u>	<u>315,869</u>
Total Agency	<u>\$ 441,703</u>	<u>909,545</u>	<u>949,348</u>	<u>401,900</u>

Unified School District No. 373

District Activity Funds

SCHEDULE OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS

For the Year Ended June 30, 2018

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Activity Gate Receipts						
Newton High School	\$ 83,236	305,758	307,594	81,400	-	81,400
School Projects						
Santa Fe Middle School						
Miscellaneous	3,499	1,383	1,578	3,304	-	3,304
Chisholm Middle School						
Pencil Machine	385	55	84	356	-	356
Pride Squad	1,306	-	134	1,172	-	1,172
Concessions	3,147	6,151	4,401	4,897	-	4,897
Miscellaneous	2,397	1,236	3,093	540	-	540
Newton High School						
Fund Raising	471	4,477	3,623	1,325	-	1,325
Staff Issues	63	-	-	63	-	63
American Red Cross Donations	11	-	-	11	-	11
Art Booster	285	400	264	421	-	421
Band Booster	478	400	-	878	-	878
Drama Booster	1,508	400	1,500	408	-	408
Orchestra Booster	2,665	400	-	3,065	-	3,065
Vocal Booster	1,366	400	31	1,735	-	1,735
Concessions	647	44,821	42,092	3,376	-	3,376
Faculty Flower	265	481	496	250	-	250
FABC Supplemental	969	345	345	969	-	969
State Assessment	224	-	-	224	-	224
Milk Vending	6,082	6,430	7,248	5,264	-	5,264
Fine Arts Technology Special	237	-	-	237	-	237
Site Council/Student Directories	2	-	2	-	-	-
Special Revolving Accounts	4,835	15,176	19,798	213	-	213
Total school projects	<u>30,842</u>	<u>82,555</u>	<u>84,689</u>	<u>28,708</u>	<u>-</u>	<u>28,708</u>
Total District Activity Funds	<u>\$ 114,078</u>	<u>388,313</u>	<u>392,283</u>	<u>110,108</u>	<u>-</u>	<u>110,108</u>

UNIFIED SCHOOL DISTRICT NO. 373
OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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. 373
Newton, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statement of Unified School District No. 373, Newton, Kansas (District), as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the District's basic financial statement and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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 opinion on the financial statement, 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statement is 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

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.

Krudson, Monroe & Company, LLC

Certified Public Accountants

Newton, Kansas

December 17, 2018

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

Board of Education
Unified School District No. 373
Newton, Kansas

Report on Compliance for Each Major Federal Program

We have audited Unified School District No. 373, Newton, Kansas' (District) compliance 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, 2018. 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.

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2018.

Report on Internal Control Over Compliance

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 a 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.

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.

Krudsen, Monroe & Company, LLC

Certified Public Accountants
Newton, Kansas
December 17, 2018

Unified School District No. 373
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kansas Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	D0373	\$ 171,158
National School Lunch Program	10.555	D0373	817,528
Summer Food Service Program for Children	10.559	D0373	<u>29,912</u>
Total Child Nutrition Cluster			1,018,598
Team Nutrition Grant	10.574	D0373	<u>250</u>
Total U.S. Department of Agriculture			<u>1,018,848</u>
<u>U.S. Department of Education</u>			
Passed through Kansas Department of Education			
Special Education Cluster (IDEA)			
Special Education, Grants to States, IDEA Part B	84.027	D0373	1,025,800
Special Education, Grants to States, Incentive Grant	84.027	D0373	54,873
Special Education, Preschool Grants	84.173	D0373	<u>35,589</u>
Total Special Education Cluster (IDEA)			1,116,262
Career and Technical Education - Carl Perkins Vocational Education	84.048	D0373	39,577
Title I, Grants to Local Educational Agencies	84.010	D0373	619,248
Title II-A - Improving Teacher Quality	84.367	D0373	118,860
Title III - English Language Acquisition	84.365	D0373	15,065
Title IID - Tech Fund	84.424	D0373	9,786
Passed through Kansas Department of Health & Environment:			
Grants for Infant & Families	84.181	D0373	<u>89,746</u>
Total U.S. Department of Education			<u>2,008,544</u>
<u>U.S. Department of Health and Human Services</u>			
Head Start	93.600		924,009
Passed through Kansas Department of Education			
Temporary Assistance for Needy Families	93.558	D0373	60,120
Youth Risk Behavior Survey	93.079	D0373	<u>445</u>
Total U.S. Department of Health and Human Services			<u>984,574</u>
Total Expenditures of Federal Awards			<u>\$ 4,011,966</u>

Unified School District No. 373
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2018
Notes to the Schedule of Expenditures of Federal Awards

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Unified School District No. 373, Newton, Kansas (District) under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District. The Schedule is presented using a regulatory basis of accounting prescribed by the *Kansas Municipal Audit and Accounting Guide* (as described in Note 1 to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the regulatory basis of accounting described in Note 1 to the District's financial statement. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. INDIRECT COST RATE

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an adverse opinion on whether the basic financial statement of Unified School District No. 373, Newton, Kansas was prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statement are reported in the 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*.
3. No instances of noncompliance material to the financial statement of Unified School District No. 373, Newton, Kansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Unified School District No. 373, Newton, Kansas expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The programs tested as major programs were:

	<u>CFDA No.</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Head Start	93.600

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Unified School District No. 373, Newton, Kansas was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no reportable findings.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Agriculture

Child Nutrition Cluster – CFDA Number 10.553, 10.555 and 10.559

There were no reportable findings.

U.S. Department of Health and Human Services

Head Start – CFDA Number 93.600

There were no reportable findings.

Unified School District No. 373

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2018

A. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None.