

**UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS**

Regulatory Basis Financial Statement and  
Independent Auditors' Report with  
Regulatory Required Supplemental Information

For the Fiscal Year Ended June 30, 2020

**BAXTER SPRINGS UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS**

**TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	1 - 3
Summary Statement of Receipts, Expenditures, and Unencumbered Cash – Regulatory Basis .....	4
Notes to the Financial Statements .....	5-13
<b>REGULATORY REQUIRED SUPPLEMENTAL INFORMATION</b>	
Schedule 1	
Summary of Expenditures - Actual and Budget – Regulatory Basis .....	14
Schedule 2	
Schedule of Receipts and Expenditures - Actual and Budget – Regulatory Basis	
General Fund .....	15
Supplemental General Fund.....	16
4 Year Old At Risk.....	17
K-12 At Risk .....	18
Bilingual Education Fund .....	19
Virtual Education Fund .....	20
Capital Outlay Fund .....	21
Driver Education Fund.....	22
Food Service Fund .....	23
Professional Development Fund.....	24
Special Education Fund.....	25
Career and Post Secondary Education Fund.....	26
KPERs Special Retirement Fund .....	27
Contingency Reserve Fund.....	28
Student Materials Fund .....	29
Title II Fund.....	30
Title I Fund.....	31
CARES Fund.....	32
Kansas Reading Roadmap Fund .....	33
Education Fund .....	34
Special Grants Fund .....	35
Bond and Interest Fund .....	36
Taylor Scholarship Trust Fund .....	37

**BAXTER SPRINGS UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS**

**TABLE OF CONTENTS**  
(Continued)

	<u>PAGE NUMBER</u>
Schedule 3	
Schedule of Receipts and Disbursements - Agency Funds – Regulatory Basis.....	38
Schedule 4	
Summary of Receipts, Expenditures, and Unencumbered Cash – District Activity Funds – Regulatory Basis.....	39
 FEDERAL COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards.....	40
Summary Schedule of Prior Audit Findings.....	41
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	42-43
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	44-45
Schedule of Findings and Questioned Costs.....	46-47
Corrective Action Plan.....	48

# *Diehl Banwart Bolton*

*Certified Public Accountants PA*

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Unified School District #508  
Baxter Springs, Kansas 66713

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash - regulatory basis, of the Unified School District #508(District), Baxter Springs, Kansas, as of and for the fiscal 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* 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 applicable audit requirements of 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.

Board of Education  
Unified School District #508  
Baxter Springs, Kansas

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, 2020 or changes in financial position and cash flows thereof for the fiscal 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 fiscal year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

**Report on Required Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the June 30, 2020 summary statement of receipts, expenditures, and unencumbered cash – regulatory basis (financial statement) as a whole. The summary of expenditures – actual and budget – regulatory basis, individual fund schedules of receipts and expenditures – actual and budget – regulatory basis, schedule of receipts and disbursements – agency funds – regulatory basis and schedule of receipts, expenditures, and unencumbered cash – district activity funds – regulatory basis (Schedules 1, 2, 3, and 4 as listed in the table of contents), are presented for purposes of additional analysis and are not a required part of the June 30, 2020 financial statement, however they are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2020 financial statement. The June 30, 2020 information has been subjected to the auditing procedures applied in the audit of the June 30, 2020 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the June 30, 2020 financial statement or to the June 30, 2020 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2020 required supplementary information is fairly stated in all material respects in relation to the June 30, 2020 financial statement as a whole, on the basis of accounting described in Note 1.

Board of Education  
Unified School District #508  
Baxter Springs, Kansas

The prior year actual column presented in the individual fund schedules of receipts and expenditures – actual and budget – regulatory basis (Schedule 2 as listed in the table of contents), are also presented for comparative analysis and are not a required part of the prior year financial statement upon which we rendered an unmodified opinion dated February 20, 2020. The June 30, 2019 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, Office of Management Analysis and Standards at the following link <http://admin.ks.gov/offices/oar/municipal-services>. Such prior year 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 June 30, 2019 financial statement. The prior year comparative information was subjected to the auditing procedures applied in the audit of the June 30, 2019 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the June 30, 2019 financial statement or to the June 30, 2019 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the prior year comparative information is fairly stated in all material respects in relation to the June 30, 2019 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 February 19, 2021 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 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 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.

*Diehl, Banwart, Bolton CPAs PA*

DIEHL, BANWART, BOLTON, CPAs PA

February 19, 2021  
Pittsburg, Kansas

**UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS**

Summary Statement of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Fiscal 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
<b>General Funds:</b>							
General	\$ 3	\$ -	\$ 7,881,712	\$ 7,881,715	\$ -	\$ -	\$ 0
Supplemental General	63,644	-	2,320,236	2,301,822	82,058	-	82,058
<b>Special Purpose Funds:</b>							
4 Yr Old At Risk	-	-	96,903	96,903	-	-	-
K-12 At Risk	-	-	1,695,782	1,695,782	-	-	-
Bilingual Education	-	-	35,281	35,281	-	-	-
Virtual Education	-	-	103,940	103,940	-	-	-
Capital Outlay	612,670	-	442,326	414,414	640,583	-	640,583
Driver Education	6,495	-	8,734	3,260	11,969	-	11,969
Food Service	127,412	-	491,855	537,592	81,675	37,137	118,812
Professional Development	-	-	11,739	11,739	-	-	-
Special Education	122,618	-	1,454,561	1,515,834	61,346	-	61,346
Career and Post Secondary Education	-	-	303,007	303,007	-	-	-
KPERS Special Education	-	-	930,756	930,756	-	-	-
Contingency Reserve	287,776	-	-	-	287,776	-	287,776
Student Materials	27,000	-	8,540	9,143	26,396	-	26,396
Title II	-	-	38,545	38,545	-	-	-
Title I	-	-	261,261	261,261	-	-	-
CARES	-	-	217,110	67,998	149,112	20,000	169,112
Kansas Reading Roadmap	(52,355)	-	140,463	132,961	(44,853)	-	(44,853)
Education	15,981	-	-	15,981	-	-	-
Special Grants	84,710	-	32,162	54,761	62,111	-	62,111
Abernathy Trust	-	-	-	-	-	-	-
District Activity	9,092	-	133,498	129,625	12,966	28	12,994
Bond and Interest Fund	730,052	-	610,605	497,125	843,532	-	843,532
<b>Trust Funds:</b>							
Taylor Scholarship	173,700	-	1,310	-	175,010	-	175,010
<b>Total Entity (Excluding Agency Funds)</b>	<b>\$ 2,208,798</b>	<b>\$ -</b>	<b>\$ 17,220,327</b>	<b>\$ 17,039,443</b>	<b>\$ 2,389,682</b>	<b>\$ 57,165</b>	<b>\$ 2,446,847</b>

Composition of Cash

District Checking Accounts.....	2,255,696
Activity Checking Accounts.....	88,859
Petty Cash.....	2,500
Certificates of Deposit.....	175,010
Savings Account.....	-
Kansas Municipal Investment Pool.....	646
<b>Total Cash</b>	<b>2,522,711</b>
Agency Funds per Schedule 3	(75,864)
<b>Total Reporting Entity</b>	<b>2,446,847</b>

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

**BAXTER SPRINGS UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**

NOTES TO THE FINANCIAL STATEMENT  
For the Fiscal Year Ended June 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statement of Unified School District #508, Baxter Springs, Kansas (District), has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The District is a municipal corporation governed by an elected seven-member board. This financial statement presents USD #508 (the primary government). The District has developed criteria to determine whether outside agencies, with activities which benefit the members of the District, should be included within its financial reporting entity. This criteria include but are not limited to, whether the District exercises financial accountability, selection of governing authority, designation of management, ability to significantly influence operations, scope of public service and special financing relationships. Based on the above criteria, the District has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a related municipal entity in this financial statement.

Basis of Presentation - Fund 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:

REGULATORY BASIS FUND TYPES

General Fund – to account for all unrestricted resources except those required to be accounted for in another fund.

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

Bond and Interest Fund – to account for the accumulation of resources including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Funds – to account for debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

Basis of Presentation - Fund Accounting - (continued)

REGULATORY BASIS FUNDS - (Continued)

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (ie. Pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

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

The 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 revenues 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 municipality to use the regulatory basis of accounting.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), and bond and interest fund 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 fiscal year on or before August 1.
2. Publication in the local newspaper of the proposed budget and a notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after the publication of a notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments during the fiscal year ended June 30, 2020. The budgeted expenditures in the General Fund and Supplemental General Fund were reduced to comply with the statutory budget maximum based upon enrollment.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

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 as supplemental information for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments of the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds and the following special purpose funds (Contingency Reserve, Student Materials, Title II, Title I, CARES, Kansas Reading Roadmap, Education, Special Grants, District Activity and Scholarship 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.

Compensated Absences

Full time employees receive twelve days of sick leave at the beginning of the school year. An employee may accumulate up to 58 days of sick leave. Upon KPERs retirement or death of the employee, the District pays \$70 per day of accumulated unused sick leave. In addition, at the end of the year, employees are paid \$70 per day for their accumulated days in excess of 58 days.

Full time, twelve-month employees accrue 20 days of vacation each year on June 30, which is to be taken within twelve months after year end.

The District determines a liability for compensated absences when the following conditions are met:

1. The District's obligation relating to the employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and is material to the financial statements.

In accordance with the above criteria, the District has not accrued a liability for sick pay or vacation pay.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Compliance with Kansas Statutes

The financial statement and the regulatory required supplemental schedules have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in the attached required supplemental schedules the Districts expenditures in the K-12 At Risk and Bilingual Education Funds exceeded their budget authority in violation of K.S.A. 79-2934 and K.S.A. 79-2935. Also the District’s bank balances were not adequately secured resulting in a violation of K.S.A. 9-1402 and K.S.A. 9-1405 (See Note 3). The negative cash balance in the Kansas Reading Roadmap Fund is not a cash basis violation as the amounts will be reimbursed. As shown in the attached regulatory required supplemental information, there were no other apparent violations with the cash basis and budget laws of Kansas.

**3. CASH IN BANK AND DEPOSITORY SECURITY**

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District’s funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

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

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

INVESTMENTS	PERCENTAGE OF INVESTMENTS
Kansas Municipal Investment Pool	100%

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State statutes require the District’s deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated “peak periods” when required coverage is 50%. All deposits were legally secured at June 30, 2020.

At June 30, 2020 the District’s carrying amount of deposits was \$2,522,065 and the bank balance was \$3,106,639. The bank balance was held by two banks resulting in limited diversification of credit risk. Of the bank balance, \$277,195 was covered by federal depository insurance, and \$2,829,444 was collateralized with securities held by the pledging financial institutions’ agents in the District’s name with a market value of \$2,691,807. This results in \$144,135 of the District’s bank balance being unsecured at June 30, 2020 (See Note 2).

The District’s only investment is in the Kansas Municipal Investment Pool. The details are shown below:

Investment Type	Maturity	Fair Value	Rating
Kansas Municipal Investment Pool	Less than 1 year	\$ 646	N/A

4. **IN-SUBSTANCE RECEIPT IN TRANSIT**

The District received \$434,310 subsequent to June 30, 2020, 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, 2020.

5. **PENSION PLAN**

General Information about the 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](http://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 at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate 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% 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 dollars per year. The first 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.

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, 2019. 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.

5. **PENSION PLAN** (Continued)

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

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 \$930,756 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 \$8,162,322. The net pension liability was measured as of June 30, 2019 and the total net 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, 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](http://www.kpers.org) or can be obtained as described above.

6. **POST EMPLOYMENT BENEFITS**

**Retirement**

A professional certified employee is eligible for early retirement if such person is eligible for retirement under KPERS. The amount of the benefit is \$200 per year of service to the District and it is paid in a lump sum. In addition, employees that retired during the years ending June 30, 2015, and June 30, 2020 with 15 years experience in the District can receive up to 5 years of health insurance benefits.

**Participation in Group Health Insurance Plan**

As provided by K.S. A. 12-5040, retired employees are eligible to participate in the District's group health insurance plan until they have reached the age of 65. While each retiree may pay the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

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.

**7. RISK MANAGEMENT/CONTINGENCY**

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

**8. TRANSFERS**

Operating transfers are routinely made from the General and Supplemental General Funds to other funds as allowed by Kansas Statutes. Operating transfers were as follows:

FROM	TO	STATUTORY AUTHORITY	AMOUNT
General	Special Education	K.S.A. 72-3422	\$ 1,077,504
General	K-12 At Risk	K.S.A. 72-5153	119,499
General	Career & Post Secondary Education	K.S.A. 72-5162	246,037
Supplemental General	Special Education	K.S.A. 72-3422	353,984
Supplemental General	K-12 At Risk	K.S.A. 72-5153	1,576,283
Supplemental General	4 Year Old At Risk	K.S.A. 72-5154	96,903
Supplemental General	Career & Post Secondary Education	K.S.A. 72-5162	55,013
Supplemental General	Professional Development	K.S.A. 72-2552	11,739
Supplemental General	Virtual Education	K.S.A. 72-3715	103,940
Supplemental General	Bilingual Education	K.S.A. 72-3613	35,281

**9. SUBSEQUENT EVENT**

Management has evaluated events and transactions occurring subsequent to June 30, 2020 through February 19, 2021, the date the financial statement was available for issue. During March 2020, the District's operations were impacted by the COVID-19 virus. Although the overall impact is unknown, it is expected to be material. During this period, there were no other subsequent events requiring recognition in the financial statement or disclosure in the notes to the financial statement.

**10. LONG TERM OBLIGATIONS**

Details about the District's long-term obligations, changes in long term debt, and scheduled maturities for the next five years and thereafter are as follows:

Schedule of Changes in Long Term Obligations for the Year Ended June 30, 2020

	Interest Rates	Date <u>of</u> <u>Issue</u>	Amount <u>of Issue</u>	Date of Final <u>Maturity</u>	Balances Beginning of <u>Year</u>	Additions / <u>New Debt</u>	Reductions / <u>Principal Paid</u>	Balances End of <u>Year</u>	Interest <u>Paid</u>
<u>General Obligation Bonds</u>									
Refunding Series 2016	2.0-3.0%	9/7/2016	6,510,000	9/1/2032	<u>\$ 6,180,000</u>	<u>\$ -</u>	<u>\$ 335,000</u>	<u>\$ 5,845,000</u>	<u>\$ 162,125</u>
Total Obligation Bonds					<u>6,180,000</u>	<u>-</u>	<u>335,000</u>	<u>5,845,000</u>	<u>162,125</u>
<u>Capital Leases</u>									
QZAB Bond	0.00%	11/4/2013	1,500,000	10/11/2023	750,000	-	150,000	600,000	-
Apple Computers	1.99%	7/5/2019	143,606	7/15/2020	-	143,606	72,511	71,095	-
Ball Field Lights	3.75%	12/1/2014	319,000	12/1/2024	205,478	-	31,131	174,347	7,818
School Buses	4.05%	8/1/2016	65,000	8/15/2021	<u>26,534</u>	<u>-</u>	<u>12,999</u>	<u>13,535</u>	<u>1,096</u>
Total Capital Leases					<u>982,012</u>	<u>143,606</u>	<u>266,641</u>	<u>858,977</u>	<u>8,914</u>
Total Long Term Debt					<u>\$ 7,162,012</u>	<u>\$ 143,606</u>	<u>\$ 601,641</u>	<u>\$ 6,703,977</u>	<u>\$ 171,039</u>

10. LONG TERM OBLIGATIONS (Continued)

Schedule of Maturities for the Years Ended June 30, 2020

10. LONG TERM OBLIGATIONS (Continued)

Fiscal Years Ending June 30,	2021	2022	2023	2024	2025	2026 2030	2031 2035	Totals
<u>Principal</u>								
General Obligation Bonds								
Refunding Series 2016 (A)	\$ 350,000	\$ 365,000	\$ 375,000	\$ 400,000	\$ 410,000	\$ 2,335,000	\$ 1,610,000	\$ 5,845,000
Total Obligation Bonds	<u>350,000</u>	<u>365,000</u>	<u>375,000</u>	<u>400,000</u>	<u>410,000</u>	<u>2,335,000</u>	<u>1,610,000</u>	<u>5,845,000</u>
Capital Leases								
QZAB Bond	150,000	150,000	150,000	150,000	-	-	-	600,000
Apple Computers	71,095	-	-	-	-	-	-	71,095
Ball Field Lights	32,315	33,544	34,821	36,146	37,521	-	-	174,347
School Buses	<u>13,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,535</u>
Total Capital Leases	<u>266,945</u>	<u>183,544</u>	<u>184,821</u>	<u>186,146</u>	<u>37,521</u>	<u>-</u>	<u>-</u>	<u>858,977</u>
Total Principal	<u>\$ 616,945</u>	<u>\$ 548,544</u>	<u>\$ 559,821</u>	<u>\$ 586,146</u>	<u>\$ 447,521</u>	<u>\$ 2,335,000</u>	<u>\$ 1,610,000</u>	<u>\$ 6,703,977</u>
<u>Interest</u>								
General Obligation Bonds								
Refunding Series 2016 (A)	<u>155,275</u>	<u>146,300</u>	\$ 135,200	\$ 123,575	\$ 111,425	\$ 365,438	\$ 71,550	1,108,763
Total Capital Leases	<u>155,275</u>	<u>146,300</u>	<u>135,200</u>	<u>123,575</u>	<u>111,425</u>	<u>365,438</u>	<u>71,550</u>	<u>1,108,763</u>
Capital Leases								
QZAB Bond	-	-	-	-	-	-	-	-
Apple Computers	1,415	-	-	-	-	-	-	1,415
Ball Field Lights	6,634	5,404	4,128	2,803	1,428	-	-	20,397
School Buses	<u>560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>560</u>
Total Capital Leases	<u>8,609</u>	<u>5,404</u>	<u>4,128</u>	<u>2,803</u>	<u>1,428</u>	<u>-</u>	<u>-</u>	<u>22,372</u>
Total Interest	<u>\$ 163,884</u>	<u>\$ 151,704</u>	<u>\$ 139,328</u>	<u>\$ 126,378</u>	<u>\$ 112,853</u>	<u>\$ 365,438</u>	<u>\$ 71,550</u>	<u>\$ 1,131,135</u>
Total Principal and Interest	<u>\$ 780,829</u>	<u>\$ 700,248</u>	<u>\$ 699,149</u>	<u>\$ 712,524</u>	<u>\$ 560,374</u>	<u>\$ 2,700,438</u>	<u>\$ 1,681,550</u>	<u>\$ 7,835,112</u>



**REGULATORY – REQUIRED  
SUPPLEMENTAL INFORMATION**

**UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS**

Schedule of Expenditures - Actual and Budget  
Regulatory Basis  
For the Fiscal Year Ended June 30, 2020

Funds	Certified Budget	Adjustment to Comply with Legal Maximum	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General Funds:						
General	\$ 7,939,074	\$ (309,733)	\$ 252,374	\$ 7,881,715	\$ 7,881,715	\$ -
Supplemental General	2,388,805	(86,983)	-	2,301,822	2,301,822	-
Special Purpose Funds:						
4 Yr Old At Risk	110,000	-	-	110,000	96,903	(13,097)
K-12 At Risk	1,608,250	-	-	1,608,250	1,695,782	87,532
Bilingual Education	30,000	-	-	30,000	35,281	5,281
Virtual Education	160,000	-	-	160,000	103,940	(56,060)
Capital Outlay	900,000	-	-	900,000	414,414	(485,586)
Driver Education	15,500	-	-	15,500	3,260	(12,240)
Food Service	586,000	-	-	586,000	537,592	(48,408)
Professional Development	25,000	-	-	25,000	11,739	(13,261)
Special Education	1,645,587	-	-	1,645,587	1,515,834	(129,753)
Career and Post Secondary Education	367,000	-	-	367,000	303,007	(63,993)
KPERS Special Retirement	1,088,144	-	-	1,088,144	930,756	(157,388)
Bond and Interest Fund	497,136	-	-	497,136	497,125	(11)
	<u>17,360,496</u>					

UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Fiscal Year Ended June 30, 2020  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Local Sources</b>				
Ad valorem tax	\$ -	\$ -	\$ -	\$ -
Delinquent tax	-	-	-	-
Mineral tax	-	-	-	-
Reimbursement	314,539	252,374	-	252,374
Interest	-	-	-	-
<b>State Sources</b>				
General aid	6,539,056	6,627,231	6,814,758	(187,527)
Supplemental general aid	-	-	-	-
Special education aid	1,014,906	1,002,107	1,124,316	(122,209)
Capital outlay aid	-	-	-	-
KPERS aid	-	-	-	-
<b>Federal Sources</b>				
Education Jobs Fund	-	-	-	-
<b>Total Cash Receipts</b>	<b>7,868,501</b>	<b>7,881,712</b>	<b>\$ 7,939,074</b>	<b>\$ (57,362)</b>
<b>Expenditures</b>				
Instruction	2,976,971	2,912,788	\$ 2,880,574	\$ 32,214
<b>Support Services</b>				
Student Support	165,171	154,332	174,500	(20,168)
Instructional Support	400,683	415,446	415,500	(54)
General Administration	554,187	586,432	562,000	24,432
School Administration	858,406	908,499	869,500	38,999
Operations and Maintenance	1,228,149	1,264,216	1,213,000	51,216
Transportation	228,596	158,633	234,000	(75,367)
Central Services	96,110	38,331	92,000	(53,669)
<b>Operating transfers to Other Funds</b>				
K-12 At Risk	193,855	119,499	150,000	(30,501)
Career and Post Secondary Education	21,434	246,037	53,000	193,037
Special Education	1,144,958	1,077,504	1,250,000	(172,496)
Virtual Education	-	-	45,000	(45,000)
<b>Adjustments to Budget</b>				
Adjustment to Comply with				
Legal Maximum Budget	-	-	(309,733)	309,733
Adjustment for Reimbursed Expenses	-	-	252,374	(252,374)
<b>Total Expenditures Subject to Budget</b>	<b>7,868,520</b>	<b>7,881,715</b>	<b>\$ 7,881,715</b>	<b>\$ -</b>
Receipts Over (Under) Expenditures	(19)	(3)		
Unencumbered Cash, Beginning	22	3		
Cancelled Prior Year Encumbrance	-	-		
<b>Unencumbered Cash, Ending</b>	<b>\$ 3</b>	<b>\$ -</b>		

UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
SUPPLEMENTAL GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Fiscal Year Ended June 30, 2020  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 306,048	\$ 438,518	\$ 397,715	\$ 40,803
Delinquent tax	19,143	15,491	6,228	9,263
Motor vehicle tax	72,724	60,678	47,439	13,239
Other	-	-	-	-
State Sources				
Supplemental aid	1,868,260	1,805,549	1,873,779	3,679,328
Total Cash Receipts	2,266,175	2,320,236	\$ 2,325,161	\$ 3,742,633
Expenditures				
Instruction	191,723	68,678	\$ 218,805	\$ (150,127)
Support Services				
Student Support	-	-	-	-
Instructional Support	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Operations and Maintenance	-	-	-	-
Transportation	-	-	-	-
Other Supplemental Services	-	-	-	-
Operating transfers to Other Funds				
Professional Development	9,703	11,739	10,000	1,739
Virtual Education	113,594	103,940	115,000	(11,060)
Bilingual Education	29,347	35,281	30,000	5,281
Special Education	210,478	353,984	210,000	143,984
4 Yr Old At Risk	100,609	96,903	100,000	(3,097)
K-12 At Risk	1,413,786	1,576,283	1,400,000	176,283
Career and Post Secondary Education	304,359	55,013	305,000	(249,987)
Adjustments to Budget				
Adjustment to Comply with Legal Maximum Budget	-	-	(86,983)	86,983
Total Expenditures Subject to Budget	2,373,599	2,301,822	\$ 2,301,822	\$ -
Receipts Over (Under) Expenditures	(107,424)	18,414		
Unencumbered Cash, Beginning	171,068	63,644		
Unencumbered Cash, Ending	\$ 63,644	\$ 82,058		

UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
4 YR OLD AT RISK FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	\$ -	\$ -	\$ 10,000	\$ (10,000)
Operating Transfer from Other Funds				
Supplemental General	100,609	96,903	100,000	
General Fund	-	-	-	-
Total Cash Receipts	100,609	96,903	\$ 110,000	\$ (10,000)
Expenditures				
Instruction	96,268	96,903	\$ 110,000	\$ (13,097)
Other Supplemental Services	6,960	-	-	-
Total Expenditures				
Subject to Budget	103,228	96,903	\$ 110,000	\$ (13,097)
Receipts Over (Under) Expenditures	(2,619)	-		
Unencumbered Cash, Beginning	2,619	-		
Unencumbered Cash, Ending	\$ -	\$ -		

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**K-12 AT RISK FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ 58,250	\$ (58,250)
Operating Transfer from Other Funds				
Supplemental General Fund	1,413,786	1,576,283	1,400,000	176,283
General Fund	193,855	119,499	150,000	(30,501)
Total Cash Receipts	<u>1,607,641</u>	<u>1,695,782</u>	<u>\$ 1,608,250</u>	<u>\$ 87,532</u>
Expenditures				
Instruction	1,649,158	1,695,782	\$ 1,608,250	\$ 87,532
Operations & Maintenance	-	-	-	-
Total Expenditures				
Subject to Budget	<u>1,649,158</u>	<u>1,695,782</u>	<u>\$ 1,608,250</u>	<u>\$ 87,532</u>
Receipts Over (Under) Expenditures	(41,517)	-		
Unencumbered Cash, Beginning	<u>41,517</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**BILINGUAL EDUCATION FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Operating Transfer from Other Funds				
General Fund	-	-	-	-
Supplemental General Fund	29,347	35,281	30,000	5,281
<b>Total Cash Receipts</b>	<b>29,347</b>	<b>35,281</b>	<b>\$ 30,000</b>	<b>\$ 5,281</b>
Expenditures				
Instruction	29,874	35,281	\$ 30,000	\$ 5,281
<b>Total Expenditures</b>				
Subject to Budget	29,874	35,281	\$ 30,000	\$ 5,281
Receipts Over (Under) Expenditures	(527)	-		
Unencumbered Cash, Beginning	527	-		
Unencumbered Cash, Ending	\$ -	\$ -		

UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
VIRTUAL EDUCATION

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Operating Transfer from Other Funds				
Supplemental General Fund	113,594	103,940	115,000	(11,060)
General Fund	-	-	45,000	(45,000)
Total Cash Receipts	113,594	103,940	\$ 160,000	\$ (56,060)
Expenditures				
Instruction	113,694	103,940	\$ 160,000	\$ (56,060)
School Administration	-	-	-	-
Total Expenditures				
Subject to Budget	113,694	103,940	\$ 160,000	\$ (56,060)
Receipts Over (Under) Expenditures	(100)	-		
Unencumbered Cash, Beginning	100	-		
Unencumbered Cash, Ending	\$ -	\$ -		



**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**CAPITAL OUTLAY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 204,037	\$ 213,562	\$ 205,211	\$ 8,351
Delinquent tax	5,412	5,342	4,355	987
Motor vehicle tax	26,942	26,305	21,151	5,154
Interest on idle funds	15,858	19,464	7,500	11,964
Miscellaneous	121,725	2,691	-	2,691
State Sources				
State Aid	160,574	174,963	174,789	174
Operating Transfer from Other Funds				
General Fund	-	-	-	-
	<u>534,548</u>	<u>442,326</u>	<u>\$ 413,006</u>	<u>\$ 29,320</u>
Total Cash Receipts				
Expenditures				
Instruction	-	-	\$ 75,000	\$ (75,000)
General Administration	4,110	-	-	-
Operations and Maintenance	299,834	146,523	382,500	(235,977)
Transportation	4,755	-	-	-
Central Services	-	-	-	-
Facility Acquisition and Construction	216,348	267,890	442,500	(174,610)
Total Expenditures				
Subject to Budget	<u>525,047</u>	<u>414,414</u>	<u>\$ 900,000</u>	<u>\$ (485,586)</u>
Receipts Over (Under) Expenditures	9,501	27,913		
Unencumbered Cash, Beginning	<u>603,169</u>	<u>612,670</u>		
Unencumbered Cash, Ending	<u>\$ 612,670</u>	<u>\$ 640,583</u>		

**UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
DRIVER EDUCATION FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	\$ 130	\$ 154	\$ -	\$ 154
State Sources				
State aid	11,613	8,580	11,050	(2,470)
Operating Transfer from Other Funds				
General Fund	-	-	-	-
Supplemental General Fund	-	-	-	-
Total Cash Receipts	11,743	8,734	\$ 11,050	\$ (2,316)
Expenditures				
Instruction	11,795	3,260	\$ 15,000	\$ (11,740)
Support Services				
Operations and Maintenance	-	-	500	(500)
Total Expenditures Subject to Budget	11,795	3,260	\$ 15,500	\$ (12,240)
Receipts Over (Under) Expenditures	(52)	5,474		
Unencumbered Cash, Beginning	6,547	6,495		
Unencumbered Cash, Ending	\$ 6,495	\$ 11,969		

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**FOOD SERVICE FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Students	\$ 90,616	\$ 73,841	\$ 94,402	\$ (20,561)
Adults	6,178	4,866	5,774	(908)
Other	11,662	11,197	40,000	(28,803)
State Sources				
State Aid	4,786	4,399	3,880	519
Federal Sources				
Child nutrition aid	361,387	381,685	342,257	39,428
Fresh fruits and vegetables aid	-	15,868	-	15,868
Operating Transfer from Other Funds				
General Fund	-	-	-	-
Supplemental General Fund	-	-	-	-
<b>Total Cash Receipts</b>	<b>474,629</b>	<b>491,855</b>	<b>\$ 486,313</b>	<b>\$ 5,542</b>
Expenditures				
Support Services				
Operations and Maintenance	528,708	537,592	\$ 586,000	\$ (48,408)
<b>Total Expenditures</b>	<b>528,708</b>	<b>537,592</b>	<b>\$ 586,000</b>	<b>\$ (48,408)</b>
Receipts Over (Under) Expenditures	(54,079)	(45,737)		
Unencumbered Cash, Beginning	181,491	127,412		
Unencumbered Cash, Ending	\$ 127,412	\$ 81,675		

UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
PROFESSIONAL DEVELOPMENT FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ 13,125	\$ (13,125)
State Sources				
State Aid	-	-	1,875	(1,875)
Operating Transfer from Other Funds				
General Fund	-	-	-	-
Supplemental General Fund	9,703	11,739	10,000	1,739
Total Cash Receipts	9,703	11,739	\$ 25,000	\$ (13,261)
Expenditures				
Support Services				
Instructional Support Staff	16,237	11,739	\$ 25,000	\$ (13,261)
Other Supplemental Services	-	-	-	-
Total Expenditures Subject to Budget	16,237	11,739	\$ 25,000	\$ (13,261)
Receipts Over (Under) Expenditures	(6,534)	-		
Unencumbered Cash, Beginning	6,534	-		
Prior Year Cancelled Encumbrance	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		

**UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
SPECIAL EDUCATION FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Interest on Idle Funds	\$ -	\$ -	\$ -	\$ -
Miscellaneous	64,924	23,073	75,000	(51,927)
Federal Sources				
Federal aid	-	-	-	-
Operating Transfer from Other Funds				
Supplemental General Fund	210,477	353,984	210,000	
General Fund	1,144,958	1,077,504	1,250,000	(172,496)
Total Cash Receipts	1,420,359	1,454,561	\$ 1,535,000	\$ (224,423)
Expenditures				
Instruction	1,411,542	1,374,292	\$ 1,521,587	\$ (147,295)
Support Services				
Instructional Support	-	-	-	-
Transportation	109,827	141,542	124,000	17,542
Total Expenditures Subject to Budget	1,521,369	1,515,834	\$ 1,645,587	\$ (129,753)
Receipts Over (Under) Expenditures	(101,010)	(61,273)		
Unencumbered Cash, Beginning	223,628	122,618		
Unencumbered Cash, Ending	\$ 122,618	\$ 61,346		

UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
CAREER AND POST SECONDARY EDUCATION FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ 3,025	\$ 1,957	\$ 2,000	\$ (43)
State Sources				
State aid	-	-	7,582	(7,582)
Federal Sources				
Federal aid	-	-	-	-
Operating Transfer from Other Funds				
Supplemental General Fund	304,359	55,013	305,000	(249,987)
General Fund	21,434	246,037	53,000	193,037
Total Cash Receipts	<u>328,818</u>	<u>303,007</u>	<u>\$ 367,582</u>	<u>\$ (64,575)</u>
Expenditures				
Instruction	334,272	303,007	\$ 367,000	\$ (63,993)
Student Support Services	-	-	-	-
Operations and Maintenance	-	-	-	-
Total Expenditures				
Subject to Budget	<u>334,272</u>	<u>303,007</u>	<u>\$ 367,000</u>	<u>\$ (63,993)</u>
Receipts Over (Under) Expenditures	(5,454)	-		
Unencumbered Cash, Beginning	<u>5,454</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**KPERS SPECIAL RETIREMENT FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
State Sources				
State Aid	\$ 619,163	\$ 930,756	\$ 1,088,144	\$ (157,388)
Operating Transfer from Other Funds				
General Fund	-	-	-	-
<b>Total Cash Receipts</b>	<b>619,163</b>	<b>930,756</b>	<b>\$ 1,088,144</b>	<b>\$ (157,388)</b>
Expenditures				
KPERS Retirement Contribution	619,163	930,756	\$ 1,088,144	\$ (157,388)
<b>Total Expenditures</b>	<b>619,163</b>	<b>930,756</b>	<b>\$ 1,088,144</b>	<b>\$ (157,388)</b>
Subject to Budget				
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		

**UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
CONTINGENCY RESERVE FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Operating transfer from General Fund	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures		
Instruction	-	-
Support Services Operations and Maintenance	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>287,776</u>	<u>287,776</u>
Unencumbered Cash, Ending	<u><u>\$ 287,776</u></u>	<u><u>\$ 287,776</u></u>



**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**STUDENT MATERIALS FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Textbook rental	\$ 10,714	\$ 8,060
Miscellaneous	-	480
Operating transfer from General Fund	-	-
Total Cash Receipts	<u>10,714</u>	<u>8,540</u>
Expenditures		
Instruction	<u>47,041</u>	<u>9,143</u>
Total Expenditures	<u>47,041</u>	<u>9,143</u>
Receipts Over (Under) Expenditures	(36,327)	(603)
Unencumbered Cash, Beginning	<u>63,327</u>	<u>27,000</u>
Unencumbered Cash, Ending	<u>\$ 27,000</u>	<u>\$ 26,396</u>

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**TITLE II FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	<u>Prior</u> <u>Year</u> <u>Actual</u>	<u>Current Year</u>  <u>Actual</u>
Cash Receipts		
Federal Sources		
Federal aid	\$ 44,760	\$ 38,545
Total Cash Receipts	<u>44,760</u>	<u>38,545</u>
Expenditures		
Instruction	44,760	38,545
General Administration	<u>-</u>	<u>-</u>
Total Expenditures	<u>44,760</u>	<u>38,545</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**TITLE I FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal Sources		
Federal aid	\$ 264,128	\$ 261,261
Total Cash Receipts	<u>264,128</u>	<u>261,261</u>
Expenditures		
Instruction	<u>264,128</u>	<u>261,261</u>
Total Expenditures	<u>264,128</u>	<u>261,261</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**CARES FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	-	217,110
Total Cash Receipts	-	217,110
Expenditures		
Instruction	-	67,998
Total Expenditures	-	67,998
Receipts Over (Under) Expenditures	-	149,112
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ 149,112

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**KANSAS READING ROADMAP**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal Sources		
Federal aid	\$ 153,413	\$ 140,463
Local Sources		
Reimbursements	-	-
	<u>153,413</u>	<u>140,463</u>
Total Cash Receipts		
Expenditures		
Instruction	<u>186,189</u>	<u>132,961</u>
Total Expenditures	<u>186,189</u>	<u>132,961</u>
Receipts Over (Under) Expenditures	(32,776)	7,502
Unencumbered Cash, Beginning	<u>(19,579)</u>	<u>(52,355)</u>
Unencumbered Cash, Ending	<u><u>\$ (52,355)</u></u>	<u><u>\$ (44,853)</u></u>

**UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
EDUCATION FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Other	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures		
Instruction	-	15,981
Total Expenditures	-	15,981
Receipts Over (Under) Expenditures	-	(15,981)
Unencumbered Cash, Beginning	15,981	15,981
Unencumbered Cash, Ending	<u>\$ 15,981</u>	<u>\$ -</u>

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**SPECIAL GRANTS FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Local Sources		
Other grants	\$ 36,289	\$ 14,500
State Sources		
School Safety Grant	<u>17,971</u>	<u>17,662</u>
Total Cash Receipts	<u>54,260</u>	<u>32,162</u>
Expenditures		
Program Expenditures	<u>92,744</u>	<u>54,761</u>
Total Expenditures	<u>92,744</u>	<u>54,761</u>
Receipts Over (Under) Expenditures	(38,484)	(22,599)
Unencumbered Cash, Beginning	<u>123,194</u>	<u>84,710</u>
Unencumbered Cash, Ending	<u><u>\$ 84,710</u></u>	<u><u>\$ 62,111</u></u>

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**BOND AND INTEREST FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 248,344	\$ 191,464	\$ 185,769	\$ 5,695
Delinquent tax	6,567	7,438	5,440	1,998
Motor vehicle tax	22,976	23,945	18,499	5,446
Interest on idle funds	-	-	-	-
Other	-	-	-	-
State Sources				
State aid	362,441	387,758	387,758	-
Total Cash Receipts	640,328	610,605	\$ 597,466	\$ 13,139
Expenditures				
Debt Service				
Principal	330,000	335,000	\$ 335,000	\$ -
Interest	168,775	162,125	162,126	(1)
Other	-	-	10	(10)
Total Expenditures Subject to Budget	498,775	497,125	497,136	(11)
Receipts Over (Under) Expenditures	141,553	113,480		
Unencumbered Cash, Beginning	588,499	730,052		
Unencumbered Cash, Ending	\$ 730,052	\$ 843,532		



**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**TAYLOR SCHOLARSHIP FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	<u>Prior</u> <u>Year</u> <u>Actual</u>	<u>Current Year</u>  <u>Actual</u>
Cash Receipts		
Local Sources		
Interest	\$ 1,297	\$ 1,310
Total Cash Receipts	<u>1,297</u>	<u>1,310</u>
Expenditures		
Scholarships	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	1,297	1,310
Unencumbered Cash, Beginning	<u>172,403</u>	<u>173,700</u>
Unencumbered Cash, Ending	<u><u>\$ 173,700</u></u>	<u><u>\$ 175,010</u></u>

**UNIFIED SCHOOL DISTRICT #508**  
**BAXTER SPRINGS, KANSAS**  
**AGENCY FUNDS**

Schedule of Receipts and Disbursements  
 Regulatory Basis

For the Fiscal Year Ended June 30, 2020

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations				
High School	\$ 49,042	\$ 96,590	\$ 103,412	\$ 42,220
Middle School	27,790	11,172	11,979	26,983
Central Elementary	2,622	440	548	2,513
Lincoln Elementary	4,411	597	860	4,148
Totals	<u>\$ 83,864</u>	<u>\$ 108,798</u>	<u>\$ 116,799</u>	<u>\$ 75,864</u>

**UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS  
DISTRICT ACTIVITY FUNDS**

Schedule of Receipts, Expenditures, and Unencumbered Cash  
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Cash Balances June, 30 2016
Gate Receipts						
High School	\$ 5,005	\$ 21,548	\$ 16,853	\$ 9,700	\$ 28	\$ 9,728
Middle School	803	8,170	5,707	3,266	-	3,266
Subtotal	5,808	29,718	22,560	12,966	28	12,994
Fees and User Charges						
High School	3,284	42,991	46,275	-	-	-
Middle School	-	28,987	28,987	-	-	-
Central Elementary	-	18,725	18,725	-	-	-
Lincoln Elementary	-	13,078	13,078	-	-	-
Subtotal	3,284	103,780	107,064	-	-	-
Totals	\$ 9,092	\$ 133,498	\$ 129,625	\$ 12,966	\$ 28	\$ 12,994

**UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS**

Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2020

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
<u>U. S. Department of Agriculture</u>			
Passed Through the State of Kansas			
Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 68,135	\$ 68,135
National School Lunch Program	10.555	195,861	195,861
Summer Food Service Program	10.559	117,688	162,309
		<u>381,684</u>	<u>426,305</u>
 Fresh Fruits and Vegetables Program	 10.582	 15,868	 15,868
		<u>397,552</u>	<u>442,173</u>
 <u>U.S. Department of Education:</u>			
Passed Through the State of Kansas			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	261,261	261,261
Title II Improving Teach Quality	84.367	38,545	38,545
COVID-19 CARES Act	84.425	217,110	67,998
		<u>516,916</u>	<u>367,804</u>
 <u>U.S. Department of Health and Human Services:</u>			
Passed Through Kansas Reading Roadmap:			
Temporary Assistance for Needy Families	93.558	38,892	-
Passed Through State of Kansas Division of Children and Families:			
Temporary Assistance for Needy Families	93.558	101,571	132,961
		<u>140,463</u>	<u>132,961</u>
 Totals		 <u>\$ 1,054,931</u>	 <u>\$ 942,938</u>

Notes:

The Schedule of Expenditures of Federal Awards has been prepared using the regulatory basis of accounting as established in the Kansas Municipal Audit and Accounting Guide. Under the regulatory basis of accounting, revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments for the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract.

The District did not elect to use the 10% de minimis indirect cost rate.

**UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS**

Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2020

Finding 2019-001 and 2018-001 Drafting Financial Statements

Condition: The District's auditors, provide significant assistance with preparing their financial statement in the regulatory basis format as well as determining which disclosures are required.

Recommendation: None

Current Status: The District continues to rely on their auditors to assist in preparing the financial statement and disclosures. The District periodically reviews the situation. The District continues to believe this is the most cost-effective way to produce their financial statement. This remains a current year audit finding.

# Diehl Banwart Bolton

*Certified Public Accountants PA*

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Baxter Springs Unified School District #508  
Baxter Springs, Kansas 66713

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the regulatory basis financial statement and the related notes of Unified School District #508 as of the year ended June 30, 2020, and have issued our report thereon dated February 19, 2021.

### **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 circumstance 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 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 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, 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 identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statement is 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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to Management of the District in a separate letter dated February 19, 2021.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the Corrective Action Plan. We did not audit the District's response and accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Diehl, Banwart, Bolton CPAs PA*

DIEHL, BANWART, BOLTON, CPAs PA

February 19, 2021  
Pittsburg, Kansas

# Diehl Banwart Bolton

*Certified Public Accountants PA*

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education  
Baxter Springs Unified School District #508  
Baxter Springs, Kansas 66713

### **Report on Compliance for Each Major Federal Program**

We have audited the Unified School District #508's (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, 2020. 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, contracts and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibilities**

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). 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 of 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**

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 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.

*Diehl, Banwart, Bolton CPAs PA*

DIEHL, BANWART, BOLTON, CPAs PA

February 19, 2021  
Pittsburg, Kansas

**BAXTER SPRINGS UNIFIED SCHOOL DISTRICT #508  
BAXTER SPRINGS, KANSAS**

Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

**FINANCIAL STATEMENTS**

Type of auditor's report issued:

The auditors' report was adverse for departures from accounting principles generally accepted in the United State of America due to the preparation of the financial statements in accordance with the Kansas regulatory basis of accounting. An unqualified opinion on the regulatory basis of accounting financial statement of the government was issued.

Internal control over financial reporting:

- Material weakness identified?        Yes   X   No
- Significant deficiency identified?   X   Yes        None reported
- Noncompliance material to financial statements noted?        Yes   X   No

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness identified?        Yes   X   No
- Significant deficiency identified?        Yes   X   None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

       Yes   X   No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

       Yes   X   No

## SECTION II - FINANCIAL STATEMENT FINDINGS

### Significant Deficiency

#### 2020-001 Drafting Financial Statements

Condition: As auditors, we provide significant assistance with adjusting entries, as well as determining which disclosures are required under generally accepted accounting standards and the regulatory basis of accounting. This is a repeat finding from June 30, 2019, and was identified in that report at 2019-001.

Criteria: Internal controls should be in place that provide a reasonable assurance that the financial statements are appropriate in form and contain the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they can not be considered part of the District's internal control.

Effect: The District relies on independent auditors to determine the financial statements are in the correct form and include the proper disclosures.

Recommendation: None

Response: The District agrees with the finding. The District's response is in the attached Corrective Action Plan.

## SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

BAXTER SPRINGS PUBLIC SCHOOLS, USD #508

June 30, 2020 Financial Statements

Corrective Action Plan

Audit Finding 2020-001

USD #508 has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under the regulatory basis of accounting. While the USD #508 understands that this is a significant deficiency in our internal controls, we believe it is the most cost-effective manner for us to produce our financial statements. Our accounting staff concentrate on providing the reports needed for management and regulatory purposes. We believe it would be inefficient and cost prohibitive for our staff to attempt to stay current on all the disclosure requirements of the regulatory basis of accounting. We do not plan on making any changes at this time. However, we will monitor this situation and periodically determine if it is cost effective for us to perform these functions.