GALENA
UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

For the Fiscal Year Ended June 30, 2022

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

GALENA UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

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GALENA, KANSAS

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Diehl
Banwart
Bolton
Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Galena Unified School District #499
Galena, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying Summary Statement of Receipts, Expenditures, and Unencumbered Cash, Regulatory Basis, of the Unified School District #499 (District), Galena, Kansas as of and for the fiscal year ended June 30, 2022 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2022 or changes in financial positions and cash flows thereof for the fiscal year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Unified School District #499, Galena, Kansas as of June 30, 2022, 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.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide.* Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

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

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 to meet the financial reporting requirements of the State of Kansas. 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 Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the June 30, 2022 summary statement of receipts, expenditures, and unencumbered cash balances – 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 expenditures – agency funds – regulatory basis and the 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 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Prior Year Comparative Numbers

The 2021 actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedule 2 as listed in the table of contents), are also presented for comparative analysis and was not a required part of the 2021 financial statement upon which we rendered an unmodified opinion dated April 11, 2022. The 2021 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://admin.ks.gov/offices/chief-financial-officer/municipal-services. Such 2021 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 2021 basic financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 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 2021 basic financial statement or to the 2021 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 2021 comparative information is fairly stated in all material respects in relation to the 2021 basic financial statement as a whole, on the basis of accounting described in Note 1.

Diehl, Banwart, Bolton, CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

May 5, 2023
Pittsburg, Kansas

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Fiscal Year Ended June 30, 2022

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:						
General	$ -	$ 7,068,704	$ 7,068,615	$ 88	$ -	$ 88
Supplemental General	29,767	2,142,958	2,169,611	3,115	86,186	89,301
Special Purpose Funds:						
Bilngual Education	839	218	-	1,057	-	1,057
4 Yr Old At Risk	29,999	71,325	73,682	27,642	-	27,642
K-12 At Risk	51,123	1,283,745	1,263,844	71,024	1,201	72,225
Virtual Education	-	35,000	35,000	-	-	-
Capital Outlay	932,164	359,008	153,397	1,137,775	16,510	1,154,285
Driver Education	6,449	16,068	16,519	5,997	-	5,997
Food Service	78,468	571,927	489,013	161,382	-	161,382
Professional Development	4,807	40	150	4,697	-	4,697
Parent Education	-	-	-	-	-	-
Special Education	219,388	1,292,360	1,295,867	215,881	397	216,278
Career and Postsecondary Education	12,800	186,024	187,263	11,561	-	11,561
KPERS Special Retirement	-	784,528	784,528	-	-	-
Historical Museum	3,499	20,979	23,477	1,001	-	1,001
Contingency Reserve	474,025	100,320	100,320	474,025	-	474,025
Textbook Rental	58,250	4,903	1,256	61,898	-	61,898
Title IV	-	21,977	21,977	-	-	-
Retirees' Holding Account	5	31,704	31,315	394	-	394
COVID Testing	-	2,928	2,927	1	-	1
ESSER	(106,204)	465,000	884,559	(525,763)	22,302	(503,461)
SPARKS	-	-	-	-	-	-
Mini-grant	85,522	23,072	6,948	101,645	1,045	102,690
Title I	-	248,381	248,381	-	-	-
21st Century Grant	-	99,993	99,993	-	-	-
Title II -A Teacher Quality	-	26,343	26,343	-	-	-
Kansas Pre-K Pilot Grant	(23)	22,500	22,477	-	-	-
District Activity Funds	18,564	35,755	41,898	12,421	-	12,421
Trust Fund						
Scholarship	38,885	15	3,795	35,106	-	35,106
Bond and Interest Fund	1,294,223	879,816	771,557	1,402,481	-	1,402,481
Total Entity (Excluding Agency Funds)	$ 3,232,552	$ 15,795,592	$ 15,824,714	$ 3,203,430	$ 127,641	$ 3,331,071

Composition of Cash	
General Checking NOW Account	$ 3,282,044
Money Market Accounts	-
Activity Checking Accounts	120,027
Petty Cash	1,500
Certificates of Deposit	20,194
Total Cash	3,423,765
Agency Funds per Schedule 3	(92,694)
Total Reporting Entity	$ 3,331,071

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of Galena Unified School District #499, Galena, Kansas, 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 policies 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 Galena Unified School District #499 (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. The 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 Galena Unified School District #499:

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

Special Purpose Fund - 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.

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.).

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting – (Continued)

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

Agency Funds – funds used to report assets held by the District in a purely custodial capacity.

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 District to use the regulatory basis of accounting.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute) 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:

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.

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in 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 budget amendments during the fiscal year ended June 30, 2022. The budgets of the General Fund and Supplemental General Fund were reduced to the legal maximum by the Kansas Department of Education.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (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 schedules are presented for each fund as required supplemental information 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 revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments of 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.

Legal operating budgets are not required in the following special purpose funds: Contingency Reserve, Textbook Rental, Title IV, Retiree's Holding Account, COVID Testing, ESSER, SPARKS, Mini-Grant, Title I, 21st Century Grant, Title II-A Teacher Quality, Kansas Pre-K Pilot Grant or District Activity or 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.

Cash and Investments

Cash and investments include money market checking accounts, certificates of deposit and the Kansas Municipal Investment Pool. Kansas statutes permit investment in savings accounts, certificates of deposit, repurchase agreements, and obligations of the U.S. Treasury and the Kansas Municipal Investment Pool.

Compensated Absences

Full-time non-certified employees are eligible for vacation benefits ranging from 10 to 20 days a year. Employees are not allowed to accumulate and carry forward vacation benefits past their anniversary date and are not paid for them when they terminate employment.

Employees can accrue 10 days of sick leave each year. Up to 70 days of unused sick days may be accumulated and carried over. However, upon termination no payments are made for accumulated sick days. Each year the amount of accumulated sick days in excess of 70 days are bought back for $25 per day.

The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to the employee's right 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.

Based upon the above criteria the District has not determined a liability for vacation or sick pay.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

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 regulatory-required supplemental information has been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in the financial statement and required supplementary schedules, there were no violations of the cash basis and budget laws of Kansas. The negative balances in the CARES – Covid 19 and Kansas Pre-K Pilot Grant funds are allowed because these amounts will be reimbursed.

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

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

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

At June 30, 2022, all of the District's investment accounts were held in one bank.

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, 2022, as detailed in the table below.

3. CASH IN BANK AND DEPOSITORY SECURITY (Continued)

At June 30, 2022 the District's carrying amount of deposits was $3,423,765 and the bank balance was $4,346,071. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance, and $4,096,071 was collateralized with securities held by the pledging financial institutions' agents in the District's name with a market value of $4,561,292

Custodial credit risk – investments. For an investment, this is the risk that, in the event of 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.

4. IN-SUBSTANCE RECEIPT IN TRANSIT

The District received $395,563 subsequent to June 30, 2022, 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, 2022.

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 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 15.59% and 14.23% respectively, for the fiscal year ended June 30, 2021. The actuarially determined employer contribution rate was 14.83% and 13.33% for the fiscal year ended June 30, 2022.

5. PENSION PLAN (Continued)

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

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

The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled $784,528 for the year ended June 30, 2022.

Net Pension Liability

At June 30, 2022, the District's proportionate share of the collective net pension liability reported by KPERS was $6,004,896. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. 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, 2021. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

6. RISK MANAGEMENT

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.

7. CONTINGENCIES

In the normal course of operations, the District participates in various federal or state grant programs from year to year. The grant programs are often subject to additional audits by agents of the grant agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

8. TRANSFERS

FROM	TO	STATUTORY AUTHORITY	AMOUNT
General	Career and Postsecondary Education	KSA 72-5162	$ 52,000
General	Contingency Reserve	KSA 72-5165	100,320
General	Special Education	KSA 72-3422	1,009,033
General	Driver's Education	KSA 72-5163	12,000
General	K-12 At Risk	KSA 72-5153	1,017,410
General	4 Yr Old At Risk	KSA 72-5154	45,000
Supplemental General	Special Education	KSA 72-3422	$ 253,650
Supplemental General	Career and Postsecondary Education	KSA 72-5162	129,627
Supplemental General	K-12 At Risk	KSA 72-5153	266,335
Supplemental General	4 Yr Old At Risk	KSA 72-5154	26,325
Supplemental General	Driver's Education	KSA 72-5163	246
Supplemental General	Virtual Education	KSA 72-3715	35,000
Supplemental General	Bilingual Education	KSA 72-3613	218
Contingency Reserve	Supplemental General	KSA 72-5165	100,320

9. POST EMPLOYMENT BENEFITS

Early Retirement

Only employees that had completed 20 years of employment with the District as of June 30, 2003, are eligible for retirement benefits from the District. The benefit is $2,000 per year for five years. For the fiscal year ended June 30, 2022 the total early retirement payments were $4,000. Future payments for eligible individuals at June 30, 2022, are estimated at $18,000.

Participation in Group Health Insurance Plan

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan until they reach age 65. 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 premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

9. POST EMPLOYMENT BENEFITS (Continued)

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.

10. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to June 30, 2022, through May 5, 2023, the date of the financial statement.

11. LONG-TERM DEBT

Attached are schedules detailing the changes long-term debt and their maturities.

Schedule of Changes in Long-Term Debt

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions / New Debt	Reductions / PrincipalPaid	Balances End of Year	Interest Paid
General Obligation Refunding Bonds									
Series 2013-A	2-5%	8/1/2013	7,500,000	9/1/2033	$ 2,250,000	$ -	$ 330,000	$ 1,920,000	$ 76,820
Series 2017	2-5%	12/28/2017	4,425,000	9/1/2029	3,805,000	-	260,000	3,545,000	104,738
Lease Purchase									
Roof Repair	3.92%	7/8/2019	250,000	7/8/2024	155,754	-	49,925	105,829	6,106
Totals					$ 6,210,754	$ -	$ 639,925	$ 5,570,829	$ 187,664

Schedule of Maturities in Long-Term Debt

	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026	June 30, 2027	June 30, 2028-2032	Totals
PRINCIPAL							
General Obligation Bonds							
Series 2013-A	$345,000	$ 365,000	$ 385,000	$ 400,000	$ 425,000	$ -	$ 1,920,000
Series 2017	265,000	260,000	260,000	270,000	270,000	2,220,000	3,545,000
Lease Purchase							
Roof Repair	-	51,882	53,947	-	-	-	105,829
Total Principal	$610,000	$ 676,882	$ 698,947	$ 670,000	$ 695,000	$2,220,000	$ 5,570,829
INTEREST							
General Obligation Refunding							
Series 2013-A	$ 66,522	$ 54,788	$ 40,700	$ 25,000	$ 8,500	$ -	$ 195,510
Series 2017	97,256	89,775	82,365	75,173	67,117	96,045	507,731
Lease Purchase							
Roof Repair	-	4,149	1,667	-	-	-	5,816
Total Interest	$163,778	$ 148,712	$ 124,732	$ 100,173	$ 75,617	$ 96,045	$ 709,057
Totals	$ 773,778	$ 825,594	$ 823,679	$ 770,173	$ 770,617	$ 2,316,045	$ 6,279,886

REGULATORY REQUIRED SUPPLEMENTAL INFORMATION

Schedule 1

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022

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	$ 7,094,812	$ (37,979)	$ 11,871	$ 7,068,704	$ 7,068,615	$ (89)
Supplemental General	2,193,719	(26,974)	2,934	2,169,679	2,169,611	(68)
Special Purpose Funds:						
Bilingual Education	839	-	-	839	-	(839)
4 Yr Old At Risk	107,083	-	-	107,083	73,682	(33,401)
K-12 At Risk	1,287,964	-	-	1,287,964	1,263,844	(24,120)
Virtual Education	35,000	-	-	35,000	35,000	-
Capital Outlay	985,000	-	-	985,000	153,397	(831,603)
Driver Education	19,615	-	-	19,615	16,519	(3,096)
Food Service	536,876	-	-	536,876	489,013	(47,863)
Professional Development	19,807	-	-	19,807	150	(19,657)
Parent Education	-	-	-	-	-	-
Special Education	1,390,102	-	-	1,390,102	1,295,867	(94,235)
Career and Postsecondary Education	242,022	-	-	242,022	187,263	(54,759)
KPERS Special Retirement	918,572	-	-	918,572	784,528	(134,044)
Historical Museum	23,477	-	-	23,477	23,477	-
Bond and Interest Fund	771,557	-	-	771,557	771,557	-
	15,626,445					

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Ad valorem tax	$ -	$ -	$ -	$ -
Delinquent tax	-	-	-	-
Interest	-	-	-	-
Reimbursement	19,349	11,871	-	11,871
State Sources				
General aid	5,988,165	6,218,545	6,203,864	14,681
Special education aid	840,135	838,288	890,948	(52,660)
Total Cash Receipts	6,847,649	7,068,704	$ 7,094,812	$ (26,108)
Expenditures				
Instruction	2,897,520	2,613,238	$ 2,876,472	$ (263,234)
Support Services				
Student Support	294,303	246,968	289,240	(42,272)
Instructional Support	55,002	54,929	56,813	(1,884)
General Administration	378,674	345,630	326,685	18,945
School Administration	717,816	710,949	718,739	(7,790)
Operations and Maintenance	1,122,073	740,978	754,028	(13,050)
Transportation	147,303	60,445	140,175	(79,730)
Central Services	63,681	59,715	65,688	(5,973)
Operating transfers to Other Funds				
Driver Education	1,841	12,000	-	12,000
Career and Postsecondary Education	-	52,000	-	52,000
Food Service	163	-	-	-
Parent Education	9,600	-	-	-
Virtual Education	21,500	-	-	-
Special Education	986,393	1,009,033	890,948	118,085
Contingency Reserve	151,780	-	-	-
4 Yr Old At Risk	-	45,000	-	45,000
K-12 At Risk	-	1,017,410	976,024	41,386
Contingency Reserve	-	100,320	-	100,320
Adjustments to Budget				
Adjustment for Reimbursed Expenses	-	-	11,871	(11,871)
Adjustment for Legal Maximum	-	-	(37,979)	37,979
Total Expenditures Subject to Budget	6,847,649	7,068,615	$ 7,068,704	$ (89)
Receipts Over (Under) Expenditures	-	88		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	$ -	$ 88		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
SUPPLEMENTAL GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Ad valorem tax	$ 366,025	$ 205,637	$ 245,457	$ (39,820)
Delinquent tax	32,707	23,953	15,901	8,052
Motor vehicle tax	41,215	38,583	46,720	(8,137)
Reimbursements	-	2,934	-	2,934
State Sources				
Supplemental aid	1,616,480	1,771,531	1,829,123	(57,592)
Operating Transfer from Other Funds				
Contingency Reserve	-	100,320	26,750	73,570
Total Cash Receipts	2,056,427	2,142,958	$ 2,163,951	$ (20,993)
Expenditures				
Instruction	288,912	595,841	$ 420,000	$ 175,841
Support Services				
Student Support	5,007	17,721	17,401	320
Instructional Support	12,860	23,535	11,950	11,585
General Administration	19,971	95,952	97,371	(1,419)
School Administration	9,723	37,240	34,950	2,290
Operations and Maintenance	125,764	603,132	537,363	65,769
Transportation	-	84,498	47,500	36,998
Central Services	-	291	475	(184)
Operating transfers to Other Funds				
Special Education	298,809	253,650	398,700	(145,050)
Driver's Education	8,456	246	10,886	(10,640)
K-12 At Risk	1,010,375	266,335	260,817	5,518
Food Service	-	-	-	-
Career and Postsecondary Education	205,362	129,627	229,222	(99,595)
4 Year At Risk	73,184	26,325	77,084	(50,759)
Professional Development	-	-	15,000	(15,000)
Virtual Education	-	35,000	35,000	-
Bilingual Education	-	218	-	218
Adjustments to Budget	-			
Adjustment for Reimbursed Expenses			2,934	(2,934)
Adjustment for Legal Maximum	-	-	(26,974)	26,974
Total Expenditures Subject to Budget	2,058,423	2,169,611	$ 2,169,679	$ (68)
Receipts Over (Under) Expenditures	(1,996)	(26,653)		
Unencumbered Cash, Beginning	31,763	29,767		
Unencumbered Cash, Ending	$ 29,767	$ 3,114		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
BILINGUAL EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
State Sources				
State Aid	$ -	$ -	$ -	$ -
Operating Transfer from Other Funds				
Supplemental General	-	218	-	218
General Fund	-	-	-	-
Total Cash Receipts	-	218	$ -	$ 218
Expenditures				
Instruction	-	-	$ 839	$ (839)
Other Supplemental Services	-	-	-	-
Total Expenditures Subject to Budget	-	-	$ 839	$ (839)
Receipts Over (Under) Expenditures	-	218		
Unencumbered Cash, Beginning	839	839		
Unencumbered Cash, Ending	$ 839	$ 1,057		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
4 YR OLD AT RISK FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	$ -	$ -	$ -	$ -
Operating Transfer from Other Funds				
Supplemental General	73,184	26,325	77,084	(50,759)
General Fund	-	45,000	-	45,000
Total Cash Receipts	73,184	71,325	$ 77,084	$ (5,759)
Expenditures				
Instruction	73,185	73,682	$ 107,083	$ (33,401)
Other Supplemental Services	-	-	-	-
Total Expenditures Subject to Budget	73,185	73,682	$ 107,083	$ (33,401)
Receipts Over (Under) Expenditures	(1)	(2,357)		
Unencumbered Cash, Beginning	30,000	29,999		
Unencumbered Cash, Ending	$ 29,999	$ 27,642		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
K-12 AT RISK FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	$ -	$ -	$ -	$ -
Operating Transfer from Other Funds				
Supplemental General Fund	1,010,374	266,335	260,817	5,518
General Fund	-	1,017,410	976,024	41,386
Total Cash Receipts	1,010,374	1,283,745	$ 1,236,841	$ 46,904
Expenditures				
Instruction	910,359	1,159,917	$ 1,182,378	$ (22,461)
Support Services	100,015	78,318	80,586	(2,268)
Operations and Maintenance	-	25,609	25,000	609
Total Expenditures Subject to Budget	1,010,374	1,263,844	$ 1,287,964	$ (24,120)
Receipts Over (Under) Expenditures	-	19,901		
Unencumbered Cash, Beginning	51,123	51,123		
Unencumbered Cash, Ending	$ 51,123	$ 71,024		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
VIRTUAL EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	$ -	$ -	$ -	$ -
Operating Transfer from Other Funds				
Supplemental General Fund	-	35,000	35,000	-
General Fund	21,500	-	-	-
Total Cash Receipts	21,500	35,000	$ 35,000	$ -
Expenditures				
Instruction	21,500	35,000	$ 35,000	$ -
Support Services	-	-	-	-
Total Expenditures Subject to Budget	21,500	35,000	$ 35,000	$ -
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Prior Year Cancelled Encumbrance	-	-		
Unencumbered Cash, Ending	$ -	$ -		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
CAPITAL OUTLAY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Ad valorem tax	$ 186,142	$ 137,153	$ 128,878	$ 8,275
Delinquent tax	8,948	9,641	8,111	1,530
Motor vehicle tax	15,589	18,264	21,927	(3,663)
Interest on idle funds	10,002	7,769	-	7,769
Miscellaneous	46,818	60,369	-	60,369
State Sources				
State Aid	159,789	125,811	180,508	(54,697)
Operating Transfer from Other Funds				
General Fund	-	-	-	-
Total Cash Receipts	427,288	359,008	$ 339,424	$ 19,584
Expenditures				
Instruction	5,188	104	$ 10,000	$ (9,896)
Student Support Services	-	-	-	-
Instructional Support	-	-	-	-
School Administration	-	-	-	-
Operations & Maintenance	70,561	119,834	275,000	(155,166)
Transportation	61,685	-	200,000	(200,000)
Other Support Services	-	-	-	-
Facility Acquisition and Construction	39,311	33,459	500,000	(466,541)
Total Expenditures Subject to Budget	176,745	153,397	$ 985,000	$ (831,603)
Receipts Over (Under) Expenditures	250,543	205,611		
Unencumbered Cash, Beginning	681,621	932,164		
Unencumbered Cash, Ending	$ 932,164	$ 1,137,775		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
DRIVER EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Other	$ 68	$ 40	$ -	$ 40
State Sources			.	
State aid	1,808	3,782	2,280	1,502
Operating Transfer from Other Funds				
Supplemental General Fund	8,456	246	10,886	(10,640)
General Fund	1,841	12,000	-	12,000
Total Cash Receipts	12,173	16,068	$ 13,166	$ 2,902
Expenditures				
Instruction	11,725	13,841	$ 18,565	$ (4,724)
Support Services				
Operations and Maintenance	599	2,678	1,050	1,628
Total Expenditures Subject to Budget	12,324	16,519	$ 19,615	$ (3,096)
Receipts Over (Under) Expenditures	(151)	(451)		
Unencumbered Cash, Beginning	6,600	6,449		
Unencumbered Cash, Ending	$ 6,449	$ 5,997		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
FOOD SERVICE FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Food Service Sales	$ 7,717	$ 16,927	$ -	$ 16,927
Other	1,746	-	2,288	(2,288)
State Sources				
State Aid	4,315	3,665	2,611	1,054
Federal Sources				
Child nutrition aid	468,643	545,510	442,748	102,762
Other aid	17,145	5,825	-	5,825
Operating Transfer from Other Funds				
General Fund	163	-	-	-
Supplemental General Fund	-	-	-	-
Total Cash Receipts	499,729	571,927	$ 447,647	$ 124,280
Expenditures				
Support Services				
Operations and Maintenance	7,456	958	$ 7,852	$ (6,894)
Operation of Non-Instructional Services				
Food Service Operations	459,872	488,056	529,024	(40,968)
Total Expenditures Subject to Budget	467,328	489,013	$ 536,876	$ (47,863)
Receipts Over (Under) Expenditures	32,401	82,914		
Unencumbered Cash, Beginning	46,067	78,468		
Unencumbered Cash, Ending	$ 78,468	$ 161,382		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
PROFESSIONAL DEVELOPMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	$ -	$ 40	$ -	$ 40
State Sources				
State Aid	2,403	-	-	-
Operating Transfer from Other Funds				
Supplemental General Fund	-	-	-	-
General Fund	-	-	-	-
Total Cash Receipts	2,403	40	$ -	$ 40
Expenditures				
Support Services				
Instructional Support Staff	10,120	150	$ 19,807	$ (19,657)
Other Supplemental Services	-	-	-	-
Adjustments to Budget				
Adjustment for Reimbursed Expenses	-	-	-	-
Total Expenditures Subject to Budget	10,120	150	$ 19,807	$ (19,657)
Receipts Over (Under) Expenditures	(7,717)	(110)		
Unencumbered Cash, Beginning	12,524	4,807		
Prior Year Cancelled Encumbrance	-	-		
Unencumbered Cash, Ending	$ 4,807	$ 4,697		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
PARENT EDUCATION
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	$ -	$ -	$ -	$ -
Operating Transfer from Other Funds				
Supplemental General Fund	-	-	-	-
General Fund	9,600	-	-	-
Total Cash Receipts	9,600	-	$ -	$ -
Expenditures				
Support Services				
Student Support	9,600	-	$ -	$ -
Adjustments to Budget				
Adjustment for Reimbursed Expenses	-	-	-	-
Total Expenditures Subject to Budget	9,600	-	$ -	$ -
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Prior Year Cancelled Encumbrance	-	-		
Unencumbered Cash, Ending	$ -	$ -		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
SPECIAL EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Interest on Idle Funds	$ -	$ -	$ -	$ -
Miscellaneous	2,404	8,226	-	8,226
Federal Sources				
Federal Aid	14,331	21,451	-	21,451
Operating Transfer from Other Funds				
Supplemental General Fund	298,809	253,650	398,700	(145,050)
General Fund	986,393	1,009,033	890,948	118,085
Total Cash Receipts	1,301,937	1,292,360	$ 1,289,648	$ 2,712
Expenditures				
Instruction	1,261,880	1,248,982	$ 1,340,997	$ (92,015)
Support Services				
Instructional Support	-	-	-	-
Transportation	40,187	46,884	49,105	(2,221)
Total Expenditures Subject to Budget	1,302,067	1,295,867	$ 1,390,102	$ (94,235)
Receipts Over (Under) Expenditures	(130)	(3,507)		
Unencumbered Cash, Beginning	219,518	219,388		
Unencumbered Cash, Ending	$ 219,388	$ 215,881		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
CAREER AND POSTSECONDARY EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	$ 3,459	$ 4,397	$ -	$ 4,397
State Sources				
State aid	-	-	-	-
Federal Sources				
Federal aid	-	-	-	-
Operating Transfer from Other Funds				
Supplemental General Fund	205,362	129,627	229,222	(99,595)
General Fund	-	52,000	-	52,000
Total Cash Receipts	208,821	186,024	$ 229,222	$ (43,198)
Expenditures				
Instruction	190,648	171,020	$ 214,754	$ (43,734)
Support Services	-	-	-	-
Transportation	18,173	16,243	27,268	(11,025)
Adjustment to Budget				
Adjustment for Reimbursed Budget			-	-
Total Expenditures Subject to Budget	208,821	187,263	$ 242,022	$ (54,759)
Receipts Over (Under) Expenditures	-	(1,239)		
Unencumbered Cash, Beginning	12,800	12,800		
Unencumbered Cash, Ending	$ 12,800	$ 11,561		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
KPERS SPECIAL RETIREMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
State Sources				
State Aid	$ 759,150	$ 784,528	$ 918,572	$ (134,044)
Operating Transfers from Other Funds				
General Fund	-	-	-	-
Total Cash Receipts	759,150	784,528	$ 918,572	$ (134,044)
Expenditures				
Instruction	482,873	497,254	$ 918,572	$ (421,318)
Student Support	40,679	40,731	-	40,731
Instructional Support	7,204	6,695	-	6,695
General Administration	39,431	39,999	-	39,999
School Administration	76,475	80,789	-	80,789
Central Office	5,699	6,066	-	6,066
Operations and Maintenance	83,966	89,598	-	89,598
Trasnportation	17,512	17,980	-	17,980
Food Service	5,311	5,417	-	5,417
Total Expenditures Subject to Budget	759,150	784,528	$ 918,572	$ (134,044)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	$ -	$ -		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
HISTORICAL MUSEUM FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Ad Valorem Tax	$ 23,326	$ 17,142	$ 16,105	$ 1,037
Delinquent Tax	1,787	1,464	1,015	449
Motor Vehicle Tax	2,529	2,373	2,860	(487)
Miscellaneous	-	-		-
Total Cash Receipts	27,642	20,979	$ 19,980	$ 999
Expenditures				
Community Service Operations	26,000	23,477	$ 23,477	$ -
Total Expenditures Subject to Budget	26,000	23,477	$ 23,477	$ -
Receipts Over (Under) Expenditures	1,642	(2,498)		
Unencumbered Cash, Beginning	1,857	3,499		
Unencumbered Cash, Ending	$ 3,499	$ 1,001		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
CONTINGENCY RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating transfer from General Fund	$ 151,780	$ 100,320
Total Cash Receipts	151,780	100,320
Expenditures		
Instruction	-	-
Opertating transfer to Supplemental General Fund	-	100,320
Total Expenditures	-	100,320
Receipts Over (Under) Expenditures	151,780	-
Unencumbered Cash, Beginning	322,245	474,025
Unencumbered Cash, Ending	$ 474,025	$ 474,025

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
TEXTBOOK RENTAL FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Textbook rental	$ 6,046	$ 4,022
Miscellaneous	779	881
Operating Transfer From		
Supplemental General	-	-
Total Cash Receipts	6,825	4,903
Expenditures		
Instruction	5,058	1,256
Total Expenditures	5,058	1,256
Receipts Over (Under) Expenditures	1,767	3,647
Unencumbered Cash, Beginning	56,483	58,250
Unencumbered Cash, Ending	$ 58,250	$ 61,898

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
TITLE IV FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	$ 21,676	$ 21,977
Total Cash Receipts	21,676	21,977
Expenditures		
Instruction	21,676	21,977
Capital Outlay	-	-
Total Expenditurs	21,676	21,977
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ -

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
RETIREE'S HOLDING ACCOUNT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Reimbursements	$ 46,141	$ 31,704
Total Cash Receipts	46,141	31,704
Expenditures		
Insurance Premiums	46,145	31,315
Total Expenditurs	46,145	31,315
Receipts Over (Under) Expenditures	(4)	389
Unencumbered Cash, Beginning	9	5
Unencumbered Cash, Ending	$ 5	$ 394

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
COVID TESTING FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	$ -	$ 2,928
Other	-	-
Total Cash Receipts	-	2,928
Expenditures		
Program Expenditures	-	2,927
Total Expenditurs	-	2,927
Receipts Over (Under) Expenditures	-	1
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ 1

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
ESSER FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	$ 85,042	$ 465,000
Total Cash Receipts	85,042	465,000
Expenditures		
Instruction	36,500	847,806
Support Services		
Student Support		21,828
Instructional Support	118,604	600
General Administration	-	1,350
Operations and Maintenance	23,185	12,975
Transportation	3,405	-
Total Expenditurs	181,694	884,559
Receipts Over (Under) Expenditures	(96,652)	(419,559)
Unencumbered Cash, Beginning	(9,552)	(106,204)
Unencumbered Cash, Ending	$ (106,204)	$ (525,763)

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
SPARKS FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	$ 350,000	$ -
Total Cash Receipts	350,000	-
Expenditures		
Instruction	270,698	-
Operations and Maintenance	77,795	-
Total Expenditurs	348,493	-
Receipts Over (Under) Expenditures	1,507	-
Unencumbered Cash, Beginning	(1,507)	-
Unencumbered Cash, Ending	$ -	$ -

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
MINI-GRANT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Grants	$ 26,865	$ 23,072
State Sources		
Pre-K Pilot Grant	-	-
Total Cash Receipts	26,865	23,072
Expenditures		
Grant Expenditures	12,997	6,948
Total Expenditurs	12,997	6,948
Receipts Over (Under) Expenditures	13,868	16,124
Unencumbered Cash, Beginning	71,654	85,522
Unencumbered Cash, Ending	$ 85,522	$ 101,645

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
TITLE I FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	$ 252,456	$ 248,381
Total Cash Receipts	252,456	248,381
Expenditures		
Instruction	251,869	246,381
General Administration	587	2,000
Total Expenditurs	252,456	248,381
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ -

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
21ST CENTURY GRANT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	$ 65,000	$ 99,993
Total Cash Receipts	65,000	99,993
Expenditures		
Instruction	65,000	93,223
Instructional Support	-	6,770
General Administration	-	-
Total Expenditurs	65,000	99,993
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ -

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
TITLE II - A TEACHER QUALITY FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	$ 27,936	$ 26,343
Total Cash Receipts	27,936	26,343
Expenditures		
Instruction	25,525	17,993
Support Services	2,411	8,350
Total Expenditurs	27,936	26,343
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ -

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
KANSAS PRE-K PILOT GRANT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	$ 11,250	$ 11,250
State Sources		
State Grant	11,227	11,250
Total Cash Receipts	22,477	22,500
Expenditures		
Instruction	22,500	22,477
Total Expenditurs	22,500	22,477
Receipts Over (Under) Expenditures	(23)	23
Unencumbered Cash, Beginning	-	(23)
Unencumbered Cash, Ending	$ (23)	$ -

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
SCHOLARSHIP FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Donations and earnings	$ 6,011	$ 15
Total Cash Receipts	6,011	15
Expenditures		
Scholarships and distributions	1,000	3,795
Total Expenditurs	1,000	3,795
Receipts Over (Under) Expenditures	5,011	(3,779)
Unencumbered Cash, Beginning	33,874	38,885
Unencumbered Cash, Ending	$ 38,885	$ 35,106

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
BOND AND INTEREST FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Ad valorem tax	$ 223,236	$ 232,426	$ 154,470	$ 77,956
Delinquent tax	17,889	15,304	9,722	5,582
Motor vehicle tax	27,424	22,200	26,692	(4,492)
Interest on idle funds	-	-	-	-
Bond proceeds (escrow trust refund)	-	-	-	-
State Sources				
State aid	612,470	609,886	609,530	356
Total Cash Receipts	881,019	879,816	$ 800,414	$ 79,402
Expenditures				
Debt Service				
Principal	575,000	590,000	$ 590,000	$ -
Interest	198,642	181,557	181,557	-
Other	-	-	-	-
Total Expenditures Subject to Budget	773,642	771,557	$ 771,557	$ -
Receipts Over (Under) Expenditures	107,377	108,258		
Unencumbered Cash, Beginning	1,186,846	1,294,223		
Unencumbered Cash, Ending	$ 1,294,223	$ 1,402,481		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Fiscal Year Ended June 30, 2022

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations	$ 86,923	$ 61,642	$ 55,872	$ 92,694
Totals	$ 86,923	$ 61,642	$ 55,872	$ 92,694

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
DISTRICT ACTIVITY FUNDS
Schedule of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Fiscal Year Ended June 30, 2022

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Cash Balances June, 30 2022
Gate Receipts						
High School Athletics	$ 17,905	$ 31,436	$ 37,579	$ 11,762	$ -	$ 11,762
Middle School Athletics	-	4,319	4,319	-	-	-
Subtotal Gate Receipts	17,905	35,755	41,898	11,762	-	11,762
Special Projects						
District Special Projects	659	-	-	659	-	659
Total District Activity Funds	$ 18,564	$ 35,755	$ 41,898	$ 12,421	$ -	$ 12,421

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

FEDERAL GRANTOR/ PASSTHROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
U.S. Department of Agriculture			
Passed Through the State of Kansas Department of Education			
COVID-19 School Breakfast Program (See Note 3)	10.553	$ 125,475	$ 125,475
COVID-19 National School Lunch Program (See Note 3)	10.555	381,219	381,219
COVID-19 Summer Food Service Program (See Note 3)	10.559	38,816	26,419
Fresh Fruits & Vegetables Grant (See Note 3)	10.582	5,211	5,211
COVID-19 Pandemic EBT Administrative Costs	10.649	614	614
		551,335	538,938
U.S. Department of Education			
Passed Through the State of Kansas Department of Education			
Title I	84.010A	248,381	248,381
Twenty-First Century Community Learning Center	84.287C	99,993	99,993
Supporting Effective Instruction	84.367A	26,343	26,343
Student Support and Academic Enrichment Program	84.424A	21,977	21,977
COVID-19 Elementary and Secondary School Emergency Relief (See Note 4)	84.425D	486,451	906,010
		883,145	1,302,704
U.S. Department of Health and Human Services			
Passed Through the State of Kansas Department of Education			
Temporary Assistance to Needy Families (See Note 5)	93.558	11,250	11,250
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	2,928	2,927
		14,178	14,177
TOTALS		$ 1,448,658	$ 1,855,819

Notes:

1. 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 disbursments, accounts payable, and encumbrances. Encumbrances are commitments of the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract.

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

3. Part of the Child Nutrition Cluster. Total Child Nutrition Cluster expenditures were $538,324.

4. $21,451 of this grant was passed through to the Southeast Kansas Interlocal #637, a subrecipient.

5. Part of the 477 Cluster. Total 477 Cluster expenditures were $11,250.

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2022

Finding 2020-001 and 2021-001 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

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
Unified School District #499
Galena, Kansas 66739

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 of Unified School District #499 as of and for the year ended June 30, 2022, and the related notes to the regulatory basis financial statement and have issued our report thereon dated May 5, 2023.

Internal Control Over Financial Reporting
In planning and performing our audit of the regulatory basis 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 over financial reporting. 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 entity's financial statements 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 have not been 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 2022-001 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 regulatory basis 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 May 5, 2023.

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 organization'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 organization'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

May 5, 2023
Pittsburg, Kansas

Diehl
Banwart
Bolton
Certified Public Accountants PA

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

Board of Education
Galena Unified School District #499
Galena, Kansas 66739

Report on Compliance for Each Major Federal Program
We have audited the Unified School District #499's (District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. Unified District #499's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards,

Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Diehl, Banwart, Bolton, CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA
May 5, 2023
Pittsburg, Kansas

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS:

Type of auditors' report issued:

- Adverse for departures from accounting principles generally accepted in the United States of America due to preparation of financial statements in accordance with the regulatory basis of accounting.
- Unqualified opinion on the regulatory basis financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? __ *YES* _X_ *NO*
- Significant deficiency(ies) identified that are not considered to be material weaknesses? NONE _X_ *YES* __ *REPORTED*

Noncompliance material to financial statements noted? __ *YES* _X_ *NO*

FEDERAL AWARDS:

Internal control over major programs:

- Material weakness(es) identified? __ *YES* _X_ *NO*
- Significant deficiency(ies) identified that are not considered to be material weaknesses? NONE __ *YES* _X_ *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 Section 510(a) of the Uniform Guidance __ *YES* _X_ *NO*

IDENTIFICATION OF MAJOR PROGRAMS:

CFDA #	NAME OF PROGRAM
84.425D	Elementary and Secondary School Emergency Relief

Auditee qualified as low-risk auditee? __ *YES* _X_ *NO*

The dollar threshold used to distinguish between Type A and Type B Programs was $750,000.

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency
2022-001 Drafting Financial Statements

Condition: As auditors, we provide significant assistance with preparing the regulatory basis financial statement, as well as determining which disclosures are required under generally accepted accounting standards and the regulatory basis of accounting.

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 for an area that should have internal controls in place.

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.

UNIFIED SCHOOL DISTRICT #499

June 30, 2022 Financial Statements

Corrective Action Plan

Audit Finding 2022-001

USD #499 has always relied upon its auditors to provide significant assistance with preparing the regulatory basis financial statement and with determining which disclosures were required under the regulatory basis of accounting. While the USD #499 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.