UNIFIED SCHOOL DISTRICT NO. 365

Garnett, Kansas

Financial Statements

For the Year Ended June 30, 2023

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UNIFIED SCHOOL DISTRICT NO. 365
Financial Statements
For the Year Ended June 30, 2023

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AUDITING
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CONSULTING

4205 W 6th St Ste C
Lawrence, KS 66049

(785) 371-4847
cpagordon.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 365, Garnett, Kansas (the District), as of and for the year ended June 30, 2023 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2023, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of June 30, 2023, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, 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.

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

In preparing the financial statement, management is required to evaluate whether 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, we:

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

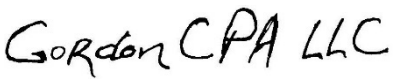
In accordance with *Government Auditing Standards,* we have also issued our report dated December 5, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Matters

Other Matter

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the District as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated November 2, 2022, which contained an unmodified opinion on the basic financial statement. The 2022 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/oar/municipalservices. The 2022 actual column (2022 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended June 30, 2023 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2022 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 basic financial statement or to the 2022 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2022 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2022, on the basis of accounting described in Note 1.



Certified Public Accountant
Lawrence, Kansas

December 5, 2023

UNIFIED SCHOOL DISTRICT NO. 365
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2023

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General Funds:							
General	$ -	$ -	$ 8,388,583	$ 8,388,583	$ -	$ 379,672	$ 379,672
Supplemental General	231,634	-	2,630,603	2,665,000	197,237	-	197,237
Special Purpose Funds:							
At Risk (4 Year Old)	70,086	-	115,000	70,215	114,871	-	114,871
At Risk (K-12)	136,752	-	1,346,375	1,215,871	267,256	58,199	325,455
Capital Outlay	1,895,974	-	1,162,518	1,186,195	1,872,297	895,025	2,767,322
Driver Training	67,063	-	19,120	10,146	76,037	-	76,037
Food Service	273,913	-	597,070	605,463	265,520	8,009	273,529
Professional Development	48,200	-	12,196	12,506	47,890	-	47,890
Virtual Education	2,375	-	-	-	2,375	-	2,375
Special Education	1,031,550	-	1,865,374	1,834,901	1,062,023	287	1,062,310
Vocational Education	88,059	-	240,217	252,187	76,089	17,763	93,852
Bilingual Education	525	-	-	-	525	-	525
KPERS Special Retirement Contribution	-	-	992,846	992,846	-	-	-
Gifts and Grants	82,409	-	55,274	56,678	81,005	2,704	83,709
Textbook Rental and Student Materials Revolving	205,426	-	89,872	14,109	281,189	5,845	287,034
Federal Funds	7,487	-	706,960	862,309	[147,862]	64,953	[82,909]
Contingency Reserve	736,384	-	30,000	-	766,384	-	766,384
Reading Recovery	94,607	-	-	-	94,607	-	94,607
Community College	81,014	-	3,175	753	83,436	-	83,436
District Activity	28,379	-	298,206	288,897	37,688	-	37,688
Capital Projects Fund:							
Bond Construction	974	-	483	-	1,457	-	1,457
Bond and Interest Fund:							
Bond and Interest Fund	2,554,070	-	1,700,812	1,654,538	2,600,344	-	2,600,344
Total	$ 7,636,881	$ -	$ 20,254,684	$ 20,111,197	$ 7,780,368	$ 1,432,457	$ 9,212,825

Composition of Cash:

Goppert State Service Bank	
Checking Accounts	$ 7,410,250
Certificate of Deposit	547,010
Bank of Greeley	
Checking Accounts	432
Certificate of Deposit	600,000
Farmer's State Bank	
Certificate of Deposit	300,000
Patriot's Bank	
Checking Accounts	2,385
Certificate of Deposit	511,120
Security Bank	1,457
Cash Balance	9,372,654
Less: Agency Funds per Schedule 3	[159,829]
Total Reporting Entity (Excluding Agency Funds)	$ 9,212,825

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

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

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

Reimbursed Expenses

Expenditures in the amount of $6,457 are classified as reimbursed expenses in the General Fund. The purpose of these expenditures is payments for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934.

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

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

Basis of Accounting

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

The 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.

Regulatory Basis Fund Types

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

The following types of funds comprise the financial activities of the District for the year ended June 30, 2023:

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

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

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

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

Budgetary Information

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

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budget was not amended for the year ended June 30, 2023.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances.

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

A legal operating budget is not required for capital project funds, agency funds, and the following special purpose funds: Contingency Reserve, Community College, Reading Recovery, and Textbook Rental and Student Materials Revolving funds.

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

NOTE 2 - Deposits and Investments

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

NOTE 2 - Deposits and Investments (Continued)

Investments. K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices. As of June 30, 2023, the District held no such investments.

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

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

As of June 30, 2023, the District's carrying amount of deposits was $9,372,654 and the bank balance was $10,355,707. The bank balance was held by five banks resulting in a concentration of credit risk. Of the bank balance, $1,001,457 was covered by federal depository insurance and the balance of $9,354,250 was collateralized with securities held by the pledging financial institution's agents in the District's name.

NOTE 3 - Long-Term Debt

Following is a detailed listing of the District's long-term debt outstanding as of June 30, 2023:

Debt Issue	Date Issued	Interest Rate	Maturity Date	Original Amount	Outstanding Amount
Certificates of Participation					
Series 2010-A QSCB	12/22/2010	6.21%	9/1/2029	$ 14,485,000	$ 14,485,000

Debt Issue	Date Issued	Interest Rate	Maturity Date	Original Amount	Outstanding Amount
Finance Leases					
2020 Chevrolet Traverse	8/10/2020	3.50%	7/10/2023	$ 26,718	$ 779
2023 Chevrolet Traverse	2/6/2023	3.00%	1/7/2026	31,181	26,947
Total				$ 57,899	$ 27,726

Following is a summary of changes in long-term debt for the year ended June 30, 2023:

Type of Issue	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding	Interest Paid Year Ended 6/30/2023
Certificates of Participation					
Series 2010-A QSCB	$ 14,485,000	$ -	$ -	$ 14,485,000	$ 900,098
Finance Leases	135,501	31,181	138,956	27,726	4,218
Total	$ 14,620,501	$ 31,181	$ 138,956	$ 14,512,726	$ 904,316

NOTE 3 - Long-Term Debt (Continued)

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

During the year ended June 30, 2023, the District deposited $754,439 into the sinking fund. The fair market value of the sinking fund's assets as of June 30, 2023, was $6,880,090. The District does not have control over the sinking fund, and therefore, the District's financial statements do not include the sinking fund balance.

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

The District's statutory limit for such bonded indebtedness is approximately $14.8 million as of June 30, 2023.

Finance Lease. Annual payment service requirements to maturity for the above finance leases:

Year Ended June 30,	Principal Due	Interest Due	Total Due
2024	$ 10,962	$ 673	$ 11,635
2025	10,495	360	10,855
2026	6,269	63	6,332
	$ 27,726	$ 1,096	$ 28,822

NOTE 4 - Interfund Transfers

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
General	At Risk (4 Year Old)	K.S.A. 72-5167	$ 30,000
General	Special Education	K.S.A. 72-5167	1,134,193
General	Vocational Education	K.S.A. 72-5167	150,000
General	Contingency Reserve	K.S.A. 72-5167	30,000
General	At Risk (K-12)	K.S.A. 72-5167	1,050,293
General	Capital Outlay	K.S.A. 72-5167	60,000
Supplemental General	At Risk (4 Year Old)	K.S.A. 72-5143	85,000
Supplemental General	Vocational Education	K.S.A. 72-5143	90,000
Supplemental General	Food Service	K.S.A. 72-5143	9,178
Supplemental General	Professional Development	K.S.A. 72-5143	10,000
Supplemental General	Textbook Rental and Student Materials Revolving	K.S.A. 72-5143	27,667
Supplemental General	Special Education	K.S.A. 72-5143	700,000
Supplemental General	At Risk (K-12)	K.S.A. 72-5143	296,082
Total			$ 3,672,412

NOTE 5 - Defined Benefit Pension Plan

Plan Description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report, which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contribution rates are withheld by their employer and paid to KPERS according to provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 14.20% and 13.33%, respectively, for the fiscal year ended June 30, 2022. The actuarially determined employer contribution rate and the statutory contribution rate was 13.88% and 13.11%, respectively, for the fiscal year ended June 30, 2023.

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

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

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

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 $992,846 for the year ended June 30, 2023.

NOTE 5 - Defined Benefit Pension Plan (Continued)

Net Pension Liability. As of June 30, 2023, the District's proportionate share of the collective net pension liability reported by KPERS was $9,457,022. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2022. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

NOTE 6 - Compensated Absences

The District's leave policies are as follows:

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

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

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

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

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

NOTE 7 - Commitments and Contingencies

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the District as of June 30, 2023.

NOTE 8 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and other events for which the District carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - Other Long-Term Obligations from Operations

Other Post-Employment Benefits. As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended June 30, 2023.

Schedule 1

UNIFIED SCHOOL DISTRICT NO. 365
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023

Funds	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Over [Under]
Governmental Fund Types:						
General Funds:						
General	$ 8,257,208	$ 124,918	$ 6,457	$ 8,388,583	$ 8,388,583	$ -
Supplemental General	2,665,000	-	-	2,665,000	2,665,000	-
Special Purpose Funds:						
At Risk (4 Year Old)	113,100	-	-	113,100	70,215	[42,885]
At Risk (K-12)	1,243,500	-	-	1,243,500	1,215,871	[27,629]
Capital Outlay	2,293,500	-	-	2,293,500	1,186,195	[1,107,305]
Driver Training	66,700	-	-	66,700	10,146	[56,554]
Food Service	830,500	-	-	830,500	605,463	[225,037]
Professional Development	40,000	-	-	40,000	12,506	[27,494]
Virtual Education	7,375	-	-	7,375	-	[7,375]
Special Education	2,467,650	-	-	2,467,650	1,834,901	[632,749]
Vocational Education	372,250	-	-	372,250	252,187	[120,063]
Bilingual Education	525	-	-	525	-	[525]
KPERS Special Retirement Contribution	1,104,877	-	-	1,104,877	992,846	[112,031]
Gifts and Grants	191,500	-	-	191,500	56,678	[134,822]
Federal Funds	1,164,893	-	-	1,164,893	862,309	[302,584]
Bond and Interest Fund:						
Bond and Interest	1,659,611	-	-	1,659,611	1,654,538	[5,073]

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
State Aid:				
General state aid	$ 6,865,221	$ 7,247,933	$ 7,031,208	$ 216,725
Special education aid	1,122,390	1,134,193	1,226,000	[91,807]
Reimbursements	6,950	6,457	-	6,457
Total Receipts	7,994,561	8,388,583	$ 8,257,208	$ 131,375
Expenditures				
Instruction	2,293,130	2,511,275	$ 2,393,506	$ 117,769
Student support services	231,319	141,870	240,752	[98,882]
Instructional support services	248,679	245,361	253,680	[8,319]
General administration	203,231	204,314	208,203	[3,889]
School administration	737,729	745,169	745,729	[560]
Central services	128,543	158,891	287,924	[129,033]
Operations and maintenance	1,230,465	1,342,977	1,095,078	247,899
Transportation	538,997	584,240	553,052	31,188
Transfers out	2,382,468	2,454,486	2,479,284	[24,798]
Adjustments for qualifying budget credit	-	-	6,457	[6,457]
Adjustments to comply with legal max	-	-	124,918	[124,918]
Total Expenditures	7,994,561	8,388,583	$ 8,388,583	$ -
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	$ -	$ -		

UNIFIED SCHOOL DISTRICT NO. 365
Supplemental General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over [Under]
Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	$ 1,537,090	$ 1,554,467	$ 1,625,707	$ [71,240]
Delinquent taxes	26,108	22,521	23,526	[1,005]
Motor vehicle tax	148,030	146,342	71,907	74,435
Commercial vehicle tax	-	-	6,308	[6,308]
Recreational vehicle tax	4,167	4,104	1,776	2,328
Transfers In	-	-	22,300	[22,300]
State aid	925,101	903,169	903,169	-
Total Receipts	2,640,496	2,630,603	$ 2,654,693	$ [24,090]
Expenditures				
Instruction	1,495,984	1,381,982	$ 1,819,500	$ [437,518]
Student support services	63,872	65,092	66,825	[1,733]
Operations and maintenance	342	-	-	-
Transfers out	1,072,417	1,217,926	778,675	439,251
Total Expenditures	2,632,615	2,665,000	$ 2,665,000	$ -
Receipts Over [Under] Expenditures	7,881	[34,397]		
Unencumbered Cash, Beginning	223,753	231,634		
Unencumbered Cash, Ending	$ 231,634	$ 197,237		

UNIFIED SCHOOL DISTRICT NO. 365
At Risk (4 Year Old) Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
Transfers in	$ 50,000	$ 115,000	$ 50,000	$ 65,000
Total Receipts	50,000	115,000	$ 50,000	$ 65,000
Expenditures				
Instruction	18,888	70,215	$ 110,150	$ [39,935]
Other support services	-	-	1,650	[1,650]
Student transportation	-	-	1,300	[1,300]
Total Expenditures	18,888	70,215	$ 113,100	$ [42,885]
Receipts Over [Under] Expenditures	31,112	44,785		
Unencumbered Cash, Beginning	38,974	70,086		
Unencumbered Cash, Ending	$ 70,086	$ 114,871		

UNIFIED SCHOOL DISTRICT NO. 365
At Risk (K-12) Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
Transfers in	$ 1,094,703	$ 1,346,375	$ 1,112,284	$ 234,091
Total Receipts	1,094,703	1,346,375	$ 1,112,284	$ 234,091
Expenditures				
Instruction	1,073,192	1,215,871	$ 1,243,500	$ [27,629]
Total Expenditures	1,073,192	1,215,871	$ 1,243,500	$ [27,629]
Receipts Over [Under] Expenditures	21,511	130,504		
Unencumbered Cash, Beginning	115,241	136,752		
Unencumbered Cash, Ending	$ 136,752	$ 267,256		

UNIFIED SCHOOL DISTRICT NO. 365
Capital Outlay Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	$ 663,255	$ 621,043	$ 585,403	$ 35,640
Delinquent taxes	11,051	9,624	10,146	[522]
Motor vehicle tax	60,545	60,526	31,368	29,158
Commercial vehicle tax	-	-	2,751	[2,751]
Recreational vehicle tax	4,469	5,040	774	4,266
Capital outlay state aid	114,020	114,179	114,439	[260]
Investment income	12,339	76,591	12,000	64,591
Miscellaneous	226,091	215,515	50,000	165,515
Transfers in	40,000	60,000	-	60,000
Total Receipts	1,131,770	1,162,518	$ 806,881	$ 355,637
Expenditures				
Instruction	137,285	18,237	$ 47,000	$ [28,763]
Operations and maintenance	177,891	326,332	720,000	[393,668]
Transportation	375,176	313,369	391,500	[78,131]
Facility acquisition and construction	104,856	528,257	1,135,000	[606,743]
Building improvements	5,503	-	-	-
Total Expenditures	800,711	1,186,195	$ 2,293,500	$ [1,107,305]
Receipts Over [Under] Expenditures	331,059	[23,677]		
Unencumbered Cash, Beginning	1,564,915	1,895,974		
Unencumbered Cash, Ending	$ 1,895,974	$ 1,872,297		

UNIFIED SCHOOL DISTRICT NO. 365
Driver Training Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over [Under]
Receipts				
State aid	$ 6,832	$ 6,720	$ 10,800	$ [4,080]
Charges for services	7,130	12,400	7,500	4,900
Transfer in	-	-	10,000	[10,000]
Total Receipts	13,962	19,120	$ 28,300	$ [9,180]
Expenditures				
Instruction	10,321	9,434	$ 62,700	$ [53,266]
Vehicle operations and maintenance	561	712	4,000	[3,288]
Total Expenditures	10,882	10,146	$ 66,700	$ [56,554]
Receipts Over [Under] Expenditures	3,080	8,974		
Unencumbered Cash, Beginning	63,983	67,063		
Unencumbered Cash, Ending	$ 67,063	$ 76,037		

UNIFIED SCHOOL DISTRICT NO. 365
Food Service Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over [Under]
Receipts				
Federal aid	$ 682,900	$ 453,475	$ 362,463	$ 91,012
State aid	4,988	4,882	4,272	610
Charges for services	6,714	129,535	172,407	[42,872]
Miscellaneous revenue	8,376	-	8,500	[8,500]
Transfers in	83,292	9,178	19,675	[10,497]
Total Receipts	786,270	597,070	$ 567,317	$ 29,753
Expenditures				
Food service operation	639,628	589,563	$ 806,000	$ [216,437]
Operations and maintenance	16,977	15,898	19,500	[3,602]
Miscellaneous expenses	1,349	2	5,000	[4,998]
Total Expenditures	657,954	605,463	$ 830,500	$ [225,037]
Receipts Over [Under] Expenditures	128,316	[8,393]		
Unencumbered Cash, Beginning	145,597	273,913		
Unencumbered Cash, Ending	$ 273,913	$ 265,520		

UNIFIED SCHOOL DISTRICT NO. 365
Professional Development Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
State aid	$ -	$ 2,196	$ 2,625	$ [429]
Transfers in	-	10,000	-	10,000
Total Receipts	-	12,196	$ 2,625	$ 9,571
Expenditures				
Instructional support services	5,638	12,506	$ 40,000	$ [27,494]
Total Expenditures	5,638	12,506	$ 40,000	$ [27,494]
Receipts Over [Under] Expenditures	[5,638]	[310]		
Unencumbered Cash, Beginning	53,838	48,200		
Unencumbered Cash, Ending	$ 48,200	$ 47,890		

UNIFIED SCHOOL DISTRICT NO. 365
Virtual Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
Transfers in	$ 8,500	$ -	$ 5,000	$ [5,000]
Total Receipts	8,500	-	$ 5,000	$ [5,000]
Expenditures				
Instruction	6,125	-	$ 7,375	$ [7,375]
Total Expenditures	6,125	-	$ 7,375	$ [7,375]
Receipts Over [Under] Expenditures	2,375	-		
Unencumbered Cash, Beginning	-	2,375		
Unencumbered Cash, Ending	$ 2,375	$ 2,375		

UNIFIED SCHOOL DISTRICT NO. 365
Special Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
Miscellaneous revenue	$ -	$ 31,181	$ -	$ 31,181
Federal aid	44,640	-	-	-
Transfers in	1,893,390	1,834,193	1,726,000	108,193
Total Receipts	1,938,030	1,865,374	$ 1,726,000	$ 139,374
Expenditures				
Instruction	1,651,450	1,581,624	$ 2,142,650	$ [561,026]
Student transportation service	252,696	253,277	325,000	[71,723]
Total Expenditures	1,904,146	1,834,901	$ 2,467,650	$ [632,749]
Receipts Over [Under] Expenditures	33,884	30,473		
Unencumbered Cash, Beginning	997,666	1,031,550		
Unencumbered Cash, Ending	$ 1,031,550	$ 1,062,023		

UNIFIED SCHOOL DISTRICT NO. 365
Vocational Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
State aid	$ -	$ 217	$ 4,975	$ [4,758]
Transfers in	275,000	240,000	285,000	[45,000]
Total Receipts	275,000	240,217	$ 289,975	$ [49,758]
Expenditures				
Instruction	263,364	252,187	$ 372,250	$ [120,063]
Total Expenditures	263,364	252,187	$ 372,250	$ [120,063]
Receipts Over [Under] Expenditures	11,636	[11,970]		
Unencumbered Cash, Beginning	76,423	88,059		
Unencumbered Cash, Ending	$ 88,059	$ 76,089		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Bilingual Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
Transfers in	$ -	$ -	$ -	$ -
Total Receipts	-	-	$ -	$ -
Expenditures				
Instruction	-	-	$ 525	$ [525]
Total Expenditures	-	-	$ 525	$ [525]
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	525	525		
Unencumbered Cash, Ending	$ 525	$ 525		

UNIFIED SCHOOL DISTRICT NO. 365
KPERS Special Retirement Contribution Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over [Under]
Receipts				
State aid	$ 986,497	$ 992,846	$ 1,104,877	$ [112,031]
Total Receipts	986,497	992,846	$ 1,104,877	$ [112,031]
Expenditures				
Instruction	591,897	595,708	$ 665,877	$ [70,169]
Student support services	59,190	59,571	67,500	[7,929]
Instructional support services	69,055	69,499	75,500	[6,001]
General administration	59,190	59,571	67,500	[7,929]
School administration	69,055	69,499	75,500	[6,001]
Operations and maintenance	78,920	79,428	75,500	3,928
Student transportation services	9,865	9,928	17,500	[7,572]
Food service	49,325	49,642	60,000	[10,358]
Total Expenditures	986,497	992,846	$ 1,104,877	$ [112,031]
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	$ -	$ -		

UNIFIED SCHOOL DISTRICT NO. 365
Gifts and Grants Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
Contributions and donations	$ 3,055	$ 37,554	$ 59,000	$ [21,446]
Federal aid	28,847	-	35,000	[35,000]
State aid	22,200	17,720	17,700	20
Total Receipts	54,102	55,274	$ 111,700	$ [56,426]
Expenditures				
Instruction	69,833	-	$ 151,500	$ [151,500]
Operations and maintenance	-	37,391	-	37,391
Building Improvements	-	19,287	40,000	[20,713]
Total Expenditures	69,833	56,678	$ 191,500	$ [134,822]
Receipts Over [Under] Expenditures	[15,731]	[1,404]		
Unencumbered Cash, Beginning	98,140	82,409		
Unencumbered Cash, Ending	$ 82,409	$ 81,005		

UNIFIED SCHOOL DISTRICT NO. 365
Textbook Rental and Student Materials Revolving Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2023 and 2022

	Prior Year Actual	Current Year Actual
Receipts		
Charges for services	$ 56,603	$ 39,841
Miscellaneous	15,480	22,364
Transfer in	-	27,667
Total Receipts	72,083	89,872
Expenditures		
Instruction	19,140	13,919
Vehicle operations and maintenance	-	190
Total Expenditures	19,140	14,109
Receipts Over [Under] Expenditures	52,943	75,763
Unencumbered Cash, Beginning	152,483	205,426
Unencumbered Cash, Ending	$ 205,426	$ 281,189

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Federal Funds
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023

	Title I	Title II-A Teacher Quality	Title IV-A	ESSERF II	ESSERF III	Actual	Budget	Variance Over [Under]
Receipts								
Federal aid	$ 226,892	$ 47,617	$ 20,499	$ 229,952	$ 182,000	$ 706,960	$ 1,164,309	$ [457,349]
Total Receipts	226,892	47,617	20,499	229,952	182,000	706,960	$ 1,164,309	$ [457,349]
Expenditures								
Instruction	227,419	47,617	20,499	183,167	283,578	762,280	$ 985,243	$ [222,963]
Instr support staff	-	-	-	-	-	-	7,000	[7,000]
Student support services	6,373	-	-	31,189	-	37,562	135,650	[98,088]
Operations and maintenance	-	-	-	-	-	-	10,000	[10,000]
Transportation	-	-	-	16,183	16,550	32,733	27,000	5,733
Facility acquisition and construction	-	-	-	-	29,734	29,734	-	29,734
Total Expenditures	233,792	47,617	20,499	230,539	329,862	862,309	$ 1,164,893	$ [302,584]
Receipts Over [Under] Expenditures	[6,900]	-	-	[587]	[147,862]	[155,349]		
Unencumbered Cash, Beginning	6,900	-	-	587	-	7,487		
Unencumbered Cash, Ending	$ -	$ -	$ -	$ -	$ [147,862]	$ [147,862]		

UNIFIED SCHOOL DISTRICT NO. 365
Contingency Reserve Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2023 and 2022

	Prior Year Actual	Current Year Actual
Receipts		
Transfers in	$ 10,000	$ 30,000
Total Receipts	10,000	30,000
Expenditures		
Instruction	-	-
Total Expenditures	-	-
Receipts Over [Under] Expenditures	10,000	30,000
Unencumbered Cash, Beginning	726,384	736,384
Unencumbered Cash, Ending	$ 736,384	$ 766,384

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Reading Recovery Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2023 and 2022

	Prior Year Actual	Current Year Actual
Receipts		
Reimbursements	$ -	$ -
Total Receipts	-	-
Expenditures		
Instruction	-	-
Total Expenditures	-	-
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	94,607	94,607
Unencumbered Cash, Ending	$ 94,607	$ 94,607

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Community College Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2023 and 2022

	Prior Year Actual	Current Year Actual
Receipts		
Miscellaneous revenue	$ 682	$ 3,175
Total Receipts	682	3,175
Expenditures		
Instruction	-	753
Total Expenditures	-	753
Receipts Over [Under] Expenditures	682	2,422
Unencumbered Cash, Beginning	80,332	81,014
Unencumbered Cash, Ending	$ 81,014	$ 83,436

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Bond Construction Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2023 and 2022

	Prior Year Actual	Current Year Actual
Receipts		
Investment income	$ 6	$ 483
Total Receipts	6	483
Expenditures		
Facility acquisition and construction	-	-
Total Expenditures	-	-
Receipts Over [Under] Expenditures	6	483
Unencumbered Cash, Beginning	968	974
Unencumbered Cash, Ending	$ 974	$ 1,457

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Bond and Interest Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2023
(With Comparative Actual Amounts for the Year Ended June 30, 2022)

		Current Year		
Receipts	Prior Year Actual	Actual	Budget	Variance Over [Under]
Taxes and Shared Revenues:				
Ad valorem taxes	$ 726,347	$ 717,977	$ 677,000	$ 40,977
Delinquent taxes	12,142	10,447	11,114	[667]
Commercial vehicle tax	-	-	2,986	[2,986]
Motor vehicle tax	64,739	65,754	34,033	31,721
Recreational vehicle tax	4,758	5,452	841	4,611
State aid	147,851	165,799	165,799	-
Miscellaneous revenue	740,629	735,383	733,507	1,876
Total Receipts	1,696,466	1,700,812	$ 1,625,280	$ 75,532
Expenditures				
Deposit to escrow account	703,214	754,440	$ 754,513	$ [73]
Interest and other charges	900,098	900,098	905,098	[5,000]
Total Expenditures	1,603,312	1,654,538	$ 1,659,611	$ [5,073]
Receipts Over [Under] Expenditures	93,154	46,274		
Unencumbered Cash, Beginning	2,460,916	2,554,070		
Unencumbered Cash, Ending	$ 2,554,070	$ 2,600,344		

See independent auditor's report on the financial statements.

Schedule 3

UNIFIED SCHOOL DISTRICT NO. 365
Student Organization Funds
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended June 30, 2023

FUND	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Anderson County Jr/Sr High School Student Organization Funds	$ 145,048	$ 200,476	$ 187,967	$ 157,557
Garnett Elementary School Student Organization Funds	853	11,730	11,079	1,504
Greeley Elementary School Student Organization Funds	479	105	151	433
Westphalia Elementary School Student Organization Funds	680	4,170	4,515	335
Total Student Organization Funds	$ 147,060	$ 216,481	$ 203,712	$ 159,829

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
District Activity Funds
Schedule of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2023

FUND	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Anderson County Jr/Sr High School District Activity Funds	$ 27,955	$ 200,381	$ 192,720	$ 35,616	$ -	$ 35,616
Garnett Elementary School District Activity Funds	24	76,824	76,826	22	-	22
Greeley Elementary School District Activity Funds	-	7,636	7,636	-	-	-
Westphalia Elementary School District Activity Funds	400	13,365	11,715	2,050	-	2,050
Total District Activity Funds	$ 28,379	$ 298,206	$ 288,897	$ 37,688	$ -	$ 37,688

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Beginning Unencumbered Cash	Receipts	Expenditures	Ending Unencumbered Cash
U.S. Department of Education					
Passed Through State Department of Education:					
Title I Grants to Local Educational Agencies	84.010	$ 6,900	$ 226,892	$ 233,792	$ -
Career and Technical Education - Basic Grants to States	84.048	-	120	120	-
Improving Teacher Quality State Grants	84.367	-	47,617	35,949	11,668
Student Support and Academic Enrichment Program	84.424	-	20,499	20,499	-
Education Stabilization Fund	84.425	587	429,672	578,120	[147,861]
Total U.S. Department of Education			724,800	868,480	
U.S. Department of Agriculture					
Passed Through State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	-	101,490	101,490	-
National School Lunch Program	10.555	-	316,303	316,303	-
Summer Food Service Program for Children	10.559	-	35,681	35,681	-
Total Child Nutrition Cluster		-	453,474	453,474	-
Total U.S. Department of Agriculture			453,474	453,474	
Total Expenditures of Federal Awards			$ 1,178,274	$ 1,321,954	

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

1. Organization

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the Kansas regulatory basis of accounting, which includes cash disbursements, accounts payable and encumbrances. The information presented in this schedule is in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. The District elected not to use the 10% de minimis indirect cost rate.

3. Local Government Contributions

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

4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the District's grant programs for economy and efficiency and program results that may result in disallowed costs to the District. However, management does not believe such audits would result in any disallowed costs that would be material to the District's financial position as of June 30, 2023.

5. Outstanding Loans

The District did not have any outstanding loans under any federal grants as of June 30, 2023.

6. Pass Through Numbers

Pass through numbers have not been assigned to pass through grants on the Schedule of Expenditures of Federal Awards.

UNIFIED SCHOOL DISTRICT NO. 365
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified (Regulatory Basis) Adverse (GAAP)			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	X	Yes		None 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?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee?		Yes	X	No

See independent auditor's report on the financial statements.

Section II - Financial Statement Findings

Prior Year Findings

Finding 2022-1

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

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

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

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

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

Status - Repeat at 2023-1

Current Year Findings

Finding 2023-1

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

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

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

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

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

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

Section III - Federal Award Findings and Questioned Costs

Prior Year Findings

None Noted.

Current Year Findings

None Noted.

GORDONCPA
AUDITING
ACCOUNTING
CONSULTING

4205 W 6th St Ste C
Lawrence, KS 66049

(785) 371-4847
cpagordon.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of Unified School District No. 365 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs (2023-1) that we consider to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

December 5, 2023

GORDONCPA
AUDITING
ACCOUNTING
CONSULTING

4205 W 6th St Ste C
Lawrence, KS 66049

(785) 371-4847
cpagordon.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Unified School District No. 365, Garnett, Kansas (the District), 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, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 requirement 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 grants 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 of 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 GAAS, *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 judgement 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgement 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.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2023, and have issued our report thereon dated December 5, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

December 5, 2023