GALENA
UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

For the Fiscal Year Ended June 30, 2023

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, 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 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, 2023, 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, 2023, 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 10, 2024, 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 2022 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 2022 financial statement upon which we rendered an unmodified opinion dated May 5, 2023. The 2022 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 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 2022 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 10, 2024
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, 2023

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:						
General	$ 88	$ 7,268,262	$ 7,268,350	$ -	$ -	$ -
Supplemental General	3,115	2,429,309	2,401,235	31,188	-	31,188
Special Purpose Funds:						
Bilngual Education	1,057	240	-	1,297	-	1,297
4 Yr Old At Risk	27,642	74,563	74,631	27,575	-	27,575
K-12 At Risk	71,024	1,757,766	1,710,610	118,181	-	118,181
Virtual Education	-	50,528	50,528	-	-	-
Capital Outlay	1,137,775	753,460	530,006	1,361,230	-	1,361,230
Driver Education	5,997	22,402	16,612	11,788	-	11,788
Food Service	161,382	516,296	463,754	213,924	-	213,924
Professional Development	4,697	-	260	4,437	-	4,437
Special Education	215,881	1,310,911	1,290,569	236,223	-	236,223
Career and Postsecondary Education	11,561	241,288	191,288	61,561	-	61,561
KPERS Special Retirement	-	815,002	815,002	-	-	-
Historical Museum	1,001	21,975	22,976	-	-	-
Contingency Reserve	474,025	49,716	35,902	487,838	-	487,838
Textbook Rental	61,898	6,117	6,255	61,759	-	61,759
Title IV	-	22,339	22,339	-	-	-
Retirees' Holding Account	394	11,121	11,781	(265)	-	(265)
COVID Testing	1	82,831	113,889	(31,057)	-	(31,057)
ESSER	(525,763)	1,390,000	1,123,512	(259,275)	-	(259,275)
Mini-grant	101,645	66,780	55,470	112,955	-	112,955
Title I	-	257,606	257,606	-	-	-
21st Century Grant	-	99,993	99,993	-	-	-
Title II -A Teacher Quality	-	30,696	30,696	-	-	-
Kansas Pre-K Pilot Grant	-	22,500	22,500	-	-	-
District Activity Funds	12,421	84,223	85,437	11,207	-	11,207
Trust Fund						
Scholarship	35,106	549	1,575	34,080	-	34,080
Bond and Interest Fund	1,402,481	2,294,338	2,348,609	1,348,210	-	1,348,210
Total Entity (Excluding Agency Funds)	$ 3,203,430	$ 19,680,811	$ 19,051,386	$ 3,832,855	$ -	$ 3,832,855

Composition of Cash	
General Checking NOW Account	$ 1,264,867
Money Market Accounts	2,521,202
Activity Checking Accounts	122,076
Petty Cash	1,500
Certificates of Deposit	20,285
Total Cash	3,929,930
Agency Funds per Schedule 3	(97,075)
Total Reporting Entity	$ 3,832,855

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, 2023. 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, 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, Kansas Pre-K Pilot Grant, and Retiree's Holding Account 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. On June 30, 2023, 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, 2023, as detailed in the table below.

3. CASH IN BANK AND DEPOSITORY SECURITY (Continued)

On June 30, 2023 the District's carrying amount of deposits was $3,929,930 and the bank balance was $5,036,605. 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 $4,786,605 was collateralized with securities held by the pledging financial institutions' agents in the District's name with a market value of $4,989,929.

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. 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 14.83% and 13.33% respectively, for the fiscal year ended June 30, 2022. The actuarially determined employer contribution rate was 13.88% and 13.11% 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 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.

4. PENSION PLAN (Continued)

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 $815,002 for the year ended June 30, 2023.

Net Pension Liability

At June 30, 2023, the District's proportionate share of the collective net pension liability reported by KPERS was $7,544,982. 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 publicly available on the website at www.kpers.org or can be obtained as described above.

5. 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.

6. 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.

7. TRANSFERS

FROM	TO	STATUTORY AUTHORITY	AMOUNT
General	Contingency Reserve	KSA 72-5165	$49,716
General	Special Education	KSA 72-3422	1,128,038
General	Driver's Education	KSA 72-5163	10,000
General	K-12 At Risk	KSA 72-5153	1,309,675
General	Capital Outlay	KSA 72-53,113	20,000
General	Career and Postsecondary Education	KSA 72-5162	50,000
Supplemental General	Special Education	KSA 72-3422	153,395
Supplemental General	Career and Postsecondary Education	KSA 72-5162	187,824
Supplemental General	K-12 At Risk	KSA 72-5153	448,091
Supplemental General	4 Yr Old At Risk	KSA 72-5154	74,563
Supplemental General	Driver's Education	KSA 72-5163	9,278
Supplemental General	Virtual Education	KSA 72-3715	50,528
Supplemental General	Bilingual Education	KSA 72-3613	240
Contingency Reserve	Supplemental General	KSA 72-5165	35,902

8. 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, 2023, are estimated at $16,000.

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.

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.

9. SUBSEQUENT EVENTS

Management has evaluated events and transactions from June 30, 2023, through May 10, 2024, the date of the financial statement. During this period there were no subsequent events requiring recognition in the financial statement or disclosure in the notes to the financial statement.

10. 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	$ 1,920,000	$ -	$ 1,920,000	$ -	$ 66,344
Series 2017	2-5%	12/28/2017	4,425,000	9/1/2029	3,545,000	-	265,000	3,280,000	97,256
Lease Purchase									
Roof Repair	3.92%	7/8/2019	250,000	7/8/2024	105,829	-	49,925	55,904	4,149
Performing Arts Center	4.74%	4/11/2023	230,000	4/11/2028	-	230,000	-	230,000	-
Totals					$ 5,570,829	$ 230,000	$ 2,234,925	$ 3,565,904	$ 167,749

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	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Series 2017	260,000	260,000	270,000	270,000	720,000	1,500,000	3,280,000
Lease Purchase							
Roof Repair	55,904	-	-	-	-	-	55,904
Roof Repair	41,819	43,831	45,908	48,085	50,357	-	230,000
Total Principal	$357,723	$ 303,831	$ 315,908	$ 318,085	$ 770,357	$ 1,500,000	$ 3,565,904
INTEREST							
General Obligation Refunding							
Series 2013-A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Series 2017	89,775	82,365	74,813	67,117	53,010	43,035	410,115
Lease Purchase							
Roof Repair	1,667	-	-	-	-	-	1,667
Performing Arts Center	10,932	8,920	6,842	4,666	2,393	-	33,753
Total Interest	$102,374	$ 91,285	$ 81,655	$ 71,783	$ 55,403	$ 43,035	$ 445,535
Totals	$ 460,097	$ 395,116	$ 397,563	$ 389,868	$ 825,760	$ 1,543,035	$ 4,011,439

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, 2023

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	$ 7,365,913	$ (109,467)	$ 11,904	$ 7,268,350	$ 7,268,350	$ -
Supplemental General	2,436,045	(34,810)	-	2,401,235	2,401,235	-
Special Purpose Funds:						
Bilingual Education	1,293	-	-	1,293	-	(1,293)
4 Yr Old At Risk	103,437	-	-	103,437	74,631	(28,806)
K-12 At Risk	1,710,631	-	-	1,710,631	1,710,610	(21)
Virtual Education	65,000	-	-	65,000	50,528	(14,472)
Capital Outlay	1,466,806	-	-	1,466,806	530,006	(936,800)
Driver Education	23,968	-	-	23,968	16,612	(7,356)
Food Service	570,756	-	-	570,756	463,754	(107,002)
Professional Development	5,447	-	-	5,447	260	(5,187)
Special Education	1,412,161	-	-	1,412,161	1,290,569	(121,592)
Career and Postsecondary Education	204,203	-	-	204,203	191,288	(12,915)
KPERS Special Retirement	902,207	-	-	902,207	815,002	(87,205)
Historical Museum	23,200	-	-	23,200	22,976	(224)
Bond and Interest Fund	2,348,789	-	-	2,348,789	2,348,609	(180)
	18,639,856					

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Ad valorem tax	$ -	$ -	$ -	$ -
Delinquent tax	-	-	-	-
Interest	-	-	-	-
Reimbursement	11,871	11,904	-	11,904
State Sources				
General aid	6,218,545	6,439,168	6,441,184	(2,016)
Special education aid	838,288	817,190	924,641	(107,451)
Total Cash Receipts	7,068,704	7,268,262	$ 7,365,825	$ (97,563)
Expenditures				
Instruction	2,613,238	2,353,280	$ 2,688,625	$ (335,345)
Support Services				
Student Support	246,968	154,538	254,743	(100,205)
Instructional Support	54,929	62,236	56,333	5,903
General Administration	345,630	544,063	348,744	195,319
School Administration	710,949	725,983	729,941	(3,958)
Operations and Maintenance	740,978	697,869	750,584	(52,715)
Transportation	60,445	108,832	62,315	46,517
Central Services	59,715	54,121	61,312	(7,191)
Operating transfers to Other Funds				
Driver Education	12,000	10,000	-	10,000
Career and Postsecondary Education	52,000	50,000	-	50,000
Capital Outlay	-	20,000	-	20,000
Special Education	1,009,033	1,128,038	924,641	203,397
4 Yr Old At Risk	45,000	-	-	-
K-12 At Risk	1,017,410	1,309,675	1,284,675	25,000
Contingency Reserve	100,320	49,716	204,000	(154,284)
Adjustments to Budget				
Adjustment for Reimbursed Expenses	-	-	11,904	(11,904)
Adjustment for Legal Maximum	-	-	(109,467)	109,467
Total Expenditures Subject to Budget	7,068,615	7,268,350	$ 7,268,350	$ -
Receipts Over (Under) Expenditures	88	(88)		
Unencumbered Cash, Beginning	-	88		
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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Ad valorem tax	$ 205,637	$ 363,530	$ 359,608	$ 3,922
Delinquent tax	23,953	14,890	5,845	9,045
Motor vehicle tax	38,583	33,217	39,720	(6,503)
Reimbursements	2,934	50,216	-	50,216
State Sources				
Supplemental aid	1,771,531	1,931,553	1,977,825	(46,272)
Operating Transfer from Other Funds				
Contingency Reserve	100,320	35,902	50,000	(14,098)
Total Cash Receipts	2,142,958	2,429,309	$ 2,432,998	$ (3,689)
Expenditures				
Instruction	595,841	532,672	$ 522,761	$ 9,911
Support Services				
Student Support	17,721	15,096	19,569	(4,473)
Instructional Support	23,535	14,690	26,862	(12,172)
General Administration	95,952	87,196	96,178	(8,982)
School Administration	37,240	38,093	42,500	(4,407)
Operations and Maintenance	603,132	742,244	644,599	97,645
Transportation	84,498	46,640	113,957	(67,317)
Central Services	290	685	-	685
Operating transfers to Other Funds				
Special Education	253,650	153,395	271,639	(118,244)
Driver's Education	246	9,278	15,271	(5,993)
K-12 At Risk	266,335	448,091	354,932	93,159
Career and Postsecondary Education	129,627	187,824	186,738	1,086
4 Year At Risk	26,325	74,563	75,795	(1,232)
Virtual Education	35,000	50,528	65,000	(14,472)
Bilingual Education	218	240	244	(4)
Adjustments to Budget				
Adjustment for Reimbursed Expenses				-
Adjustment for Legal Maximum	-	-	(34,810)	34,810
Total Expenditures Subject to Budget	2,169,610	2,401,235	$ 2,401,235	$ -
Receipts Over (Under) Expenditures	(26,652)	28,073		
Unencumbered Cash, Beginning	29,767	3,115		
Unencumbered Cash, Ending	$ 3,115	$ 31,188		

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
State Sources				
State Aid	$ -	$ -	$ -	$ -
Operating Transfer from Other Funds				
Supplemental General	218	240	244	(4)
General Fund	-	-	-	-
Total Cash Receipts	218	240	$ 244	$ (4)
Expenditures				
Instruction	-	-	$ 1,293	$ (1,293)
Other Supplemental Services	-	-	-	-
Total Expenditures Subject to Budget	-	-	$ 1,293	$ (1,293)
Receipts Over (Under) Expenditures	218	240		
Unencumbered Cash, Beginning	839	1,057		
Unencumbered Cash, Ending	$ 1,057	$ 1,297		

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	$ -	$ -	$ -	$ -
Operating Transfer from Other Funds				
Supplemental General	26,325	74,563	75,795	(1,232)
General Fund	45,000	-	-	-
Total Cash Receipts	71,325	74,563	$ 75,795	$ (1,232)
Expenditures				
Instruction	73,682	74,631	$ 103,437	$ (28,806)
Other Supplemental Services	-	-	-	-
Total Expenditures Subject to Budget	73,682	74,631	$ 103,437	$ (28,806)
Receipts Over (Under) Expenditures	(2,357)	(67)		
Unencumbered Cash, Beginning	29,999	27,642		
Unencumbered Cash, Ending	$ 27,642	$ 27,575		

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		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	448,091	354,932	93,159
General Fund	-	1,309,675	1,284,675	25,000
Total Cash Receipts	1,010,374	1,757,766	$ 1,639,607	$ 118,159
Expenditures				
Instruction	910,359	1,536,539	$ 1,601,563	$ (65,024)
Support Services	100,015	155,976	80,416	75,560
Operations and Maintenance	-	18,094	28,652	(10,558)
Total Expenditures Subject to Budget	1,010,374	1,710,610	$ 1,710,631	$ (21)
Receipts Over (Under) Expenditures	19,901	47,157		
Unencumbered Cash, Beginning	51,123	71,024		
Unencumbered Cash, Ending	$ 71,024	$ 118,181		

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		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	65,000	(30,000)
General Fund	21,500	-	-	-
Total Cash Receipts	21,500	50,528	$ 65,000	$ (30,000)
Expenditures				
Instruction	21,500	50,528	$ 65,000	$ (14,472)
Support Services	-	-	-	-
Total Expenditures Subject to Budget	21,500	50,528	$ 65,000	$ (14,472)
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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Ad valorem tax	$ 137,153	$ 146,859	$ 156,520	$ (9,661)
Delinquent tax	9,641	8,119	3,945	4,174
Motor vehicle tax	18,264	20,100	22,026	(1,926)
Interest on idle funds	7,769	63,090	-	63,090
Miscellaneous	60,370	343,993	-	343,993
State Sources				
State Aid	125,811	151,299	151,727	(428)
Operating Transfer from Other Funds				
General Fund	-	20,000	-	20,000
Total Cash Receipts	359,008	753,460	$ 334,218	$ 419,242
Expenditures				
Instruction	104	799	$ 350,000	$ (349,201)
Student Support Services	-	-	-	-
Instructional Support	-	-	-	-
School Administration	-	-	-	-
Operations & Maintenance	119,834	288,962	500,000	(211,038)
Transportation	-	80,250	200,000	(119,750)
Other Support Services	-	-	-	-
Facility Acquisition and Construction	33,459	159,995	416,806	(256,812)
Total Expenditures Subject to Budget	153,397	530,006	$ 1,466,806	$ (936,800)
Receipts Over (Under) Expenditures	205,611	223,454		
Unencumbered Cash, Beginning	932,164	1,137,775		
Unencumbered Cash, Ending	$ 1,137,775	$ 1,361,230		

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Other	$ 40	$ 44	$ -	$ 44
State Sources			.	
State aid	3,782	3,080	2,700	380
Operating Transfer from Other Funds				
Supplemental General Fund	246	9,278	15,271	(5,993)
General Fund	12,000	10,000	-	10,000
Total Cash Receipts	16,068	22,402	$ 17,971	$ 4,431
Expenditures				
Instruction	13,842	13,895	$ 20,268	$ (6,373)
Support Services				
Operations and Maintenance	2,678	2,716	3,700	(984)
Total Expenditures Subject to Budget	16,520	16,612	$ 23,968	$ (7,356)
Receipts Over (Under) Expenditures	(452)	5,791		
Unencumbered Cash, Beginning	6,449	5,997		
Unencumbered Cash, Ending	$ 5,997	$ 11,788		

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Food Service Sales	$ 16,927	$ 57,811	$ 70,562	$ (12,751)
Other	-	15,549	5,946	9,603
State Sources				
State Aid	3,665	3,525	3,027	498
Federal Sources				
Child nutrition aid	545,510	415,520	329,839	85,681
Other aid	5,825	23,890	-	23,890
Operating Transfer from Other Funds				
General Fund	-	-	-	-
Supplemental General Fund	-	-	-	-
Total Cash Receipts	571,927	516,296	$ 409,374	$ 106,922
Expenditures				
Support Services				
Operations and Maintenance	958	-	$ 816	$ (816)
Operation of Non-Instructional Services				
Food Service Operations	488,055	463,754	569,940	(106,186)
Total Expenditures Subject to Budget	489,013	463,754	$ 570,756	$ (107,002)
Receipts Over (Under) Expenditures	82,914	52,542		
Unencumbered Cash, Beginning	78,468	161,382		
Unencumbered Cash, Ending	$ 161,382	$ 213,924		

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	$ 40	$ -	$ -	$ -
State Sources				
State Aid	-	-	750	(750)
Operating Transfer from Other Funds				
Supplemental General Fund	-	-	-	-
General Fund	-	-	-	-
Total Cash Receipts	40	-	$ 750	$ (750)
Expenditures				
Support Services				
Instructional Support Staff	150	260	$ 5,447	$ (5,187)
Other Supplemental Services	-	-	-	-
Adjustments to Budget				
Adjustment for Reimbursed Expenses	-	-	-	-
Total Expenditures Subject to Budget	150	260	$ 5,447	$ (5,187)
Receipts Over (Under) Expenditures	(110)	(260)		
Unencumbered Cash, Beginning	4,807	4,697		
Prior Year Cancelled Encumbrance	-	-		
Unencumbered Cash, Ending	$ 4,697	$ 4,437		

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Interest on Idle Funds	$ -	$ -	$ -	$ -
Miscellaneous	8,226	8,027	-	8,027
Federal Sources				
Federal Aid	21,451	21,451	-	21,451
Operating Transfer from Other Funds				
Supplemental General Fund	253,650	153,395	271,639	(118,244)
General Fund	1,009,033	1,128,038	924,641	203,397
Total Cash Receipts	1,292,360	1,310,911	$ 1,196,280	$ 114,631
Expenditures				
Instruction	1,248,983	1,243,463	$ 1,357,671	$ (114,208)
Support Services				
Instructional Support	-	-	-	-
Transportation	46,884	47,107	54,490	(7,383)
Total Expenditures Subject to Budget	1,295,867	1,290,569	$ 1,412,161	$ (121,592)
Receipts Over (Under) Expenditures	(3,507)	20,342		
Unencumbered Cash, Beginning	219,388	215,881		
Unencumbered Cash, Ending	$ 215,881	$ 236,223		

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Miscellaneous	$ 4,397	$ 3,465	$ -	$ 3,465
State Sources				
State aid	-	-	5,904	(5,904)
Federal Sources				
Federal aid	-	-	-	-
Operating Transfer from Other Funds				
Supplemental General Fund	129,627	187,824	186,738	1,086
General Fund	52,000	50,000	-	50,000
Total Cash Receipts	186,024	241,288	$ 192,642	$ 48,646
Expenditures				
Instruction	171,020	175,937	$ 187,432	$ (11,495)
Support Services	-	-	-	-
Transportation	16,243	15,351	16,771	(1,420)
Adjustment to Budget				
Adjustment for Reimbursed Budget			-	-
Total Expenditures Subject to Budget	187,263	191,288	$ 204,203	$ (12,915)
Receipts Over (Under) Expenditures	(1,239)	50,000		
Unencumbered Cash, Beginning	12,800	11,561		
Unencumbered Cash, Ending	$ 11,561	$ 61,561		

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
State Sources				
State Aid	$ 784,528	$ 815,002	$ 902,207	$ (87,205)
Operating Transfers from Other Funds				
General Fund	-	-	-	-
Total Cash Receipts	784,528	815,002	$ 902,207	$ (87,205)
Expenditures				
Instruction	497,254	559,517	$ 571,842	$ (12,325)
Student Support	40,731	33,722	46,841	(13,119)
Instructional Support	6,695	5,938	7,699	(1,761)
General Administration	39,999	39,243	45,999	(6,756)
School Administration	80,789	77,053	92,907	(15,854)
Central Office	6,065	5,963	6,976	(1,013)
Operations and Maintenance	89,598	77,648	103,038	(25,390)
Trasnportation	17,980	11,267	20,677	(9,410)
Food Service	5,417	4,651	6,228	(1,577)
Total Expenditures Subject to Budget	784,528	815,002	$ 902,207	$ (87,205)
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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Ad Valorem Tax	$ 17,142	$ 18,360	$ 19,562	$ (1,202)
Delinquent Tax	1,464	1,102	494	608
Motor Vehicle Tax	2,373	2,513	2,754	(241)
Miscellaneous	-	-		-
Total Cash Receipts	20,979	21,975	$ 22,810	$ (835)
Expenditures				
Community Service Operations	23,477	22,976	$ 23,200	$ (224)
Total Expenditures Subject to Budget	23,477	22,976	$ 23,200	$ (224)
Receipts Over (Under) Expenditures	(2,498)	(1,001)		
Unencumbered Cash, Beginning	3,499	1,001		
Unencumbered Cash, Ending	$ 1,001	$ (0)		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
CONTINGENCY RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating transfer from General Fund	$ 100,320	$ 49,716
Total Cash Receipts	100,320	49,716
Expenditures		
Instruction	-	-
Opertating transfer to Supplemental General Fund	100,320	35,902
Total Expenditures	100,320	35,902
Receipts Over (Under) Expenditures	-	13,814
Unencumbered Cash, Beginning	474,025	474,025
Unencumbered Cash, Ending	$ 474,025	$ 487,838

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
TEXTBOOK RENTAL FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Textbook rental	$ 4,022	$ 5,297
Miscellaneous	881	820
Operating Transfer From		
Supplemental General	-	-
Total Cash Receipts	4,903	6,117
Expenditures		
Instruction	1,256	6,255
Total Expenditures	1,256	6,255
Receipts Over (Under) Expenditures	3,647	(138)
Unencumbered Cash, Beginning	58,251	61,898
Unencumbered Cash, Ending	$ 61,898	$ 61,759

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
TITLE IV FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	$ 21,977	$ 22,339
Total Cash Receipts	21,977	22,339
Expenditures		
Instruction	21,977	22,339
Capital Outlay	-	-
Total Expenditurs	21,977	22,339
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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Reimbursements	$ 31,704	$ 11,121
Total Cash Receipts	31,704	11,121
Expenditures		
Insurance Premiums	31,315	11,781
Total Expenditurs	31,315	11,781
Receipts Over (Under) Expenditures	389	(659)
Unencumbered Cash, Beginning	5	394
Unencumbered Cash, Ending	$ 394	$ (265)

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
COVID TESTING FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	$ 2,928	$ 82,831
Other	-	-
Total Cash Receipts	2,928	82,831
Expenditures		
Program Expenditures	2,927	113,889
Total Expenditurs	2,927	113,889
Receipts Over (Under) Expenditures	1	(31,058)
Unencumbered Cash, Beginning	-	1
Unencumbered Cash, Ending	$ 1	$ (31,057)

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
ESSER FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	$ 465,000	$ 1,390,000
Total Cash Receipts	465,000	1,390,000
Expenditures		
Instruction	847,806	1,123,512
Support Services		
Student Support	21,828	-
Instructional Support	600	-
General Administration	1,350	-
Operations and Maintenance	12,975	-
Transportation	-	-
Total Expenditurs	884,559	1,123,512
Receipts Over (Under) Expenditures	(419,559)	266,488
Unencumbered Cash, Beginning	(106,204)	(525,763)
Unencumbered Cash, Ending	$ (525,763)	$ (259,275)

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
MINI-GRANT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Grants	$ 23,072	$ 66,780
State Sources		
Pre-K Pilot Grant	-	-
Total Cash Receipts	23,072	66,780
Expenditures		
Grant Expenditures	6,948	55,470
Total Expenditurs	6,948	55,470
Receipts Over (Under) Expenditures	16,124	11,310
Unencumbered Cash, Beginning	85,521	101,645
Unencumbered Cash, Ending	$ 101,645	$ 112,955

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
TITLE I FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	$ 248,381	$ 257,606
Total Cash Receipts	248,381	257,606
Expenditures		
Instruction	246,381	255,606
General Administration	2,000	2,000
Total Expenditurs	248,381	257,606
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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	$ 99,993	$ 99,993
Total Cash Receipts	99,993	99,993
Expenditures		
Instruction	93,223	91,861
Instructional Support	6,770	8,132
General Administration	-	-
Total Expenditurs	99,993	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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	$ 26,343	$ 30,696
Total Cash Receipts	26,343	30,696
Expenditures		
Instruction	17,993	13,139
Support Services	8,350	17,557
Total Expenditurs	26,343	30,696
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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

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

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
SCHOLARSHIP FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Donations and earnings	$ 15	$ 549
Total Cash Receipts	15	549
Expenditures		
Scholarships and distributions	3,794	1,575
Total Expenditurs	3,794	1,575
Receipts Over (Under) Expenditures	(3,779)	(1,026)
Unencumbered Cash, Beginning	38,885	35,106
Unencumbered Cash, Ending	$ 35,106	$ 34,080

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, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Ad valorem tax	$ 232,426	$ 112,274	$ 130,428	$ (18,154)
Delinquent tax	15,304	13,910	6,765	7,145
Motor vehicle tax	22,200	30,755	30,131	624
Interest on idle funds	-	-	-	-
Bond proceeds (escrow trust refund)	-	10	-	10
State Sources				
State aid	609,886	2,137,389	2,137,389	-
Total Cash Receipts	879,816	2,294,338	$ 2,304,713	$ (10,375)
Expenditures				
Debt Service				
Principal	590,000	2,185,000	$ 2,185,000	$ -
Interest	181,558	163,609	163,779	(170)
Other	-	-	10	(10)
Total Expenditures Subject to Budget	771,558	2,348,609	$ 2,348,789	$ (180)
Receipts Over (Under) Expenditures	108,258	(54,271)		
Unencumbered Cash, Beginning	1,294,223	1,402,481		
Unencumbered Cash, Ending	$ 1,402,481	$ 1,348,210		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Fiscal Year Ended June 30, 2023

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations	$ 92,694	$ 206,322	$ 201,941	$ 97,075
Totals	$ 92,694	$ 206,322	$ 201,941	$ 97,075

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, 2023

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	$ 11,762	$ 63,045	$ 64,259	$ 10,548	$ -	$ 10,548
Middle School Athletics	-	21,179	21,179	-	-	-
Subtotal Gate Receipts	11,762	84,223	85,437	10,548	-	10,548
Special Projects						
District Special Projects	659	-	-	659	-	659
Total District Activity Funds	$ 12,421	$ 84,223	$ 85,437	$ 11,207	$ -	$ 11,207

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

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

FEDERAL GRANTOR/ PASSTHROUGH GRANTOR/ PROGRAM TITLE	ASSISTANCE LISTING 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	$ 94,688	$ 94,688
COVID-19 National School Lunch Program (See Note 3)	10.555	299,862	299,862
COVID-19 Summer Food Service Program (See Note 3)	10.559	20,970	20,970
Fresh Fruits & Vegetables Grant (See Note 3)	10.582	23,890	23,890
		439,410	439,410
U.S. Department of Education			
Passed Through the State of Kansas Department of Education			
Title I	84.010	257,606	257,606
Twenty-First Century Community Learning Center	84.287	99,993	99,993
Supporting Effective Instruction	84.367	30,696	30,696
Student Support and Academic Enrichment Program	84.424	22,339	22,339
COVID-19 Education Stabilization Fund	84.425D	606,451	102,139
COVID-19 Education Stabilization Fund	84.425U	805,000	1,042,824
COVID-19 Education Stabilization Fund	84.425V	22,500	22,500
		1,844,585	1,578,097
U.S. Department of Health and Human Services			
Passed Through the State of Kansas Department of Education			
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	82,831	113,889
		82,831	113,889
TOTALS		$ 2,366,826	$ 2,131,396

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 $439,410.

4. Total expenditures under the Education Stabilizaton Fund were $1,167,463. $21,451 from assistance listing number 84.425D was passed through to the Southeast Kansas Special Education Interlocal #637, a subrecipient.

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2023

Finding 2021-001 and 2022-001 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, 2023, and the related notes to the regulatory basis financial statement and have issued our report thereon dated May 10, 2024.

Report on 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 2023-001 that we consider to be significant deficiencies.

Report on 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*.

District's Response to Findings
Government Auditing Standards require the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auding procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

We noted certain other matters that we reported to Management of the District in a separate letter dated May 10, 2024.

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 10, 2024
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

Opinion on 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, 2023. 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, 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; 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 10, 2024
Pittsburg, Kansas

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

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
84.425	Education Stabilization Fund

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
2023-001 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, 2023 Financial Statements

Corrective Action Plan

Audit Finding 2023-001

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.