

**GALENA
UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS**

For the Fiscal Year Ended June 30, 2020

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

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash - regulatory basis, of the Galena Unified School District #499 (the District), Galena, Kansas as of and for the fiscal year ended June 30, 2020 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the applicable audit requirements of the *Kansas Municipal Audit and Accounting Guide*. Those standards and the *Kansas Municipal Audit and Accounting Guide* require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

Board of Education
Unified School District #499
Galena, Kansas

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the District to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2020 or changes in financial position and cash flows thereof for the fiscal year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of June 30, 2020, and the aggregate receipts and expenditures for the fiscal year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the June 30, 2020 summary statement of receipts, expenditures, and unencumbered cash 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 summary 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 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, based upon our audit, the regulatory required 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.

Prior Year Comparative Numbers

The prior year actual column presented in the individual fund schedules of receipts and expenditures – actual and budget – regulatory basis (Schedule 2 as listed in the table of contents), are also presented for comparative analysis and are not a required part of the prior year financial statement upon which we rendered an unqualified opinion dated December 20, 2019. The prior year financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such prior year comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the prior year financial statement. The prior year comparative information was subjected to the auditing procedures applied in the audit of the prior year statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the prior year financial statement or to the prior year financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the prior year comparative information is fairly stated in all material respects in relation to the prior year financial statement as a whole, on the basis of accounting described.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Diehl, Banwart, Bolton, CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

December 31, 2020
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, 2020

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:						
General	\$ 4	\$ 6,834,578	\$ 6,834,582	\$ -	\$ -	\$ -
Supplemental General	81,783	2,045,344	2,095,364	31,763	179,315	211,078
Special Purpose Funds:						
Bilingual Education	210	629	-	839	-	839
4 Yr Old At Risk	110	33,762	3,871	30,000	-	30,000
K-12 At Risk	3,813	1,170,656	1,123,346	51,123	-	51,123
Virtual Education	2,300	19,200	21,500	-	-	-
Capital Outlay	482,600	394,740	195,719	681,621	-	681,621
Driver Education	6,546	10,666	10,612	6,600	-	6,600
Food Service	63,993	527,770	545,696	46,067	34,884	80,950
Inservice Education	11,932	11,195	10,603	12,524	-	12,524
Special Education	97,819	1,391,552	1,269,853	219,517	-	219,517
Vocational Education	12,720	222,528	222,448	12,800	-	12,800
KPERS Special Retirement	-	800,412	800,412	-	-	-
Historical Museum	-	25,906	24,049	1,857	-	1,857
Contingency Reserve	285,139	37,106	-	322,245	-	322,245
Textbook Rental	56,541	9,168	9,225	56,483	1,905	58,388
Title IV	-	19,698	19,698	-	-	-
Retirees' Holding Account	(2,238)	49,587	47,340	9	-	9
Dunncliffe Special Projects	51	-	51	-	-	-
CARES - Covid 19	-	126,600	136,152	(9,552)	9,242	(310)
SPARKS	-	-	1,507	(1,507)	-	(1,507)
Mini-grant	60,348	36,464	25,157	71,654	6,666	78,320
Title I	-	254,681	254,681	-	-	-
21st Century Grant	-	70,000	70,000	-	1,071	1,071
Kansas Pre-K Pilot Grant	-	76,337	76,337	-	-	-
Title II -A Teacher Quality	-	27,002	27,002	-	-	-
District Activity Funds	22,505	55,935	51,704	26,736	-	26,736
Trust Fund						
Scholarship	31,092	6,081	3,299	33,874	-	33,874
Bond and Interest Fund	1,153,861	808,263	775,277	1,186,846	-	1,186,846
Total Entity (Excluding Agency Funds)	\$ 2,371,128	\$ 15,065,858	\$ 14,655,485	\$ 2,781,501	\$ 233,083	\$ 3,014,584

Composition of Cash

General Checking NOW Account.....	\$ 2,851,473
Money Market Accounts.....	101,001
Activity Checking Accounts.....	137,029
Petty Cash.....	1,500
Certificates of Deposit.....	19,967
Municipal Investment Pool.....	-
Total Cash	3,110,970
Agency Funds per Schedule 3	(96,386)
Total Reporting Entity	\$ 3,014,584

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

GALENA UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS

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

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.).

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

Basis of Presentation - Fund Accounting – (Continued)

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

Capital Project 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.

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, 2020. The budgets of the General Fund and Supplemental General Fund were reduced to the legal maximum by the Kansas Department of Education.

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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
Budgetary Information (Continued)

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, Dunicliffe Special Projects, CARES – Covid 19,, SPRAKS,, 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.

Property Taxes

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

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Compliance with Kansas Statutes

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

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

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

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

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. At June 30, 2020, 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, 2020, as detailed in the table below.

At June 30, 2020 the District's carrying amount of deposits was \$3,110,970 and the bank balance was \$3,456,988. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$3,206,988 was collateralized with securities held by the pledging financial institutions' agents in the District's name with a market value of \$3,545,755. This information is detailed in the table below.

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

4. IN-SUBSTANCE RECEIPT IN TRANSIT

The District received \$420,411 subsequent to June 30, 2020, and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2020.

5. PENSION PLAN

General Information about the Pension Plan

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

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 14.59 % and 13.21% respectively, for the fiscal year ended June 30, 2019. The actuarially determined employer contribution rate was 16.15% and 14.41% for the fiscal year ended June 30, 2020.

Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by \$64.3 million for the fiscal year ended June 30, 2017. Section 43(17) of the bill also stipulated that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2018. The level dollar amount was computed to be \$6.4 million dollars per year. The first payment of \$6.4 million was received in July 2017 and appropriations for fiscal year 2018 were made for the state / school group at the statutory contribution rate of 12.0% for the year.

Per 2017 Senate Substitute for House Bill 2002, Section 51(a), state general fund employer contributions to KPERS were decreased by \$194.0 million for the fiscal year ended June 30, 2020. Section 56(19) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2020. The level dollar amount was computed to be \$19.4 million per year.

5. **PENSION PLAN** (Continued)

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

2019 Senate Bill 9 authorized a payment of \$115 million for the KPERS School group.

The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled \$800,412 for the year ended June 30, 2020.

Net Pension Liability

At June 30, 2020, the District's proportionate share of the collective net pension liability reported by KPERS was \$6,948,785. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2019. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

6. **RISK MANAGEMENT**

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

7. **CONTINGENCIES**

In the normal course of operations, the District participates in various federal or state grant programs from year to year. The grant programs are often subject to additional audits by agents of the grant agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material. On December 28, 2017, the District issued refunding bonds. The proceeds of these bonds are being held in escrow until September 1, 2022. At that time bonds with a face value of \$3,800,000 will be called.

8. TRANSFERS

FROM	TO	STATUTORY AUTHORITY	AMOUNT
General	Contingency Reserve	KSA 72-5165	\$37,106
General	Inservice Education	KSA 72-2552	9,556
General	Special Education	KSA 72-3422	1,255,096
General	K-12 At Risk	KSA 72-5153	1,421
General	Virtual Education	KSA 72-3715	19,200
General	Food Service	KSA 72-5164	43,614
Supplemental General	Special Education	KSA 72-3422	134,318
Supplemental General	Vocational Education	KSA 72-5162	190,947
Supplemental General	K-12 At Risk	KSA 72-5153	1,169,235
Supplemental General	4 Yr Old At Risk	KSA 72-5154	33,762
Supplemental General	Bilingual Education	KSA 72-3613	629
Supplemental General	Driver's Education	KSA 72-5163	6,600

9. POST EMPLOYMENT BENEFITS

Early Retirement

Only employees that had completed 20 years of employment with the District as of June 30, 2003, are eligible for retirement benefits from the District. The benefit is \$2,000 per year for five years. For the fiscal year ended June 30, 2020 the total early retirement payments were \$10,000. Future payments for employees retired at June 30, 2020, are estimated at \$26,000.

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.

10. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to June 30, 2020, through December 31, 2020, the date of the financial statement. In March 2020, the District's operations were impacted by the COVID-19 virus. The total effect on operations from the virus is unknown, but it is expected to be material. There were no other subsequent events requiring recognition in the financial statement or disclosure in the notes to the financial statement.

11. LONG-TERM DEBT

Attached are schedules detailing the changes long-term debt and their maturities. On December 28, 2017, the District issued \$4,425,000 in refunding bonds. The proceeds from these bonds will be held in escrow and used to pay principal and interest on 2013 Series A Bonds until September 1, 2022. The District is contingently liable on these bonds until they are redeemed. The attached schedule of changes in long-term debt and schedule of maturities do not include any amounts for the bonds which will be redeemed from escrow.

Schedule of Changes in Long-Term Debt

11. LONG TERM DEBT OBLIGATIONS (Continued)

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balances Beginning of Year</u>	<u>Additions / New Debt</u>	<u>Reductions / Principal Paid</u>	<u>Balances End of Year</u>	<u>Interest Paid</u>
General Obligation Refunding Bonds									
Series 2013-A	2-5%	8/1/2013	7,500,000	9/1/2033	\$ 2,865,000	\$ -	\$ 300,000	\$ 2,565,000	\$ 86,495
Series 2013-A	2-5%	12/28/2017	4,425,000	9/1/2029	4,325,000	-	260,000	4,065,000	119,558
Lease Purchase									
Roof Repair	3.92%	7/8/2019	250,000	7/8/2024	250,000	-	46,204	203,796	9,827
Bus Lease	4%	7/1/2017	92,600	6/30/2022	<u>37,798</u>	<u>-</u>	<u>18,480</u>	<u>19,318</u>	<u>1,705</u>
Totals					<u>\$ 7,477,798</u>	<u>\$ -</u>	<u>\$ 624,684</u>	<u>\$ 6,853,114</u>	<u>\$ 217,585</u>

Schedule of Maturities in Long-Term Debt

	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2025-2029	June 30, 2030-2034	Totals
PRINCIPAL								
General Obligation Bonds								
Series 2013-A	\$315,000	\$ 330,000	\$ 345,000	\$ 365,000	\$1,210,000	\$ -	\$ -	\$ 2,565,000
Series 2017	260,000	260,000	265,000	260,000	2,260,000	760,000	-	4,065,000
Lease Purchase								
Roof Repair	-	48,042	49,925	51,882	53,947	-	-	203,796
Bus Lease	-	19,318	-	-	-	-	-	19,318
Total Principal	<u>\$575,000</u>	<u>\$ 657,360</u>	<u>\$ 659,925</u>	<u>\$ 676,882</u>	<u>\$3,523,947</u>	<u>\$ 760,000</u>	<u>\$ -</u>	<u>\$ 6,853,114</u>
INTEREST								
General Obligation Refunding								
Series 2013-A	\$ 86,495	\$ 76,820	\$ 66,523	\$ 54,787	\$ 74,200	\$ -	\$ -	\$ 358,825
Series 2017	112,148	104,737	97,256	89,775	309,510	10,830	-	724,256
Lease Purchase								
Roof Repair	-	7,989	6,106	4,149	1,667	-	-	19,911
Bus Lease	-	869	-	-	-	-	-	869
Total Interest	<u>\$198,643</u>	<u>\$ 190,415</u>	<u>\$ 169,885</u>	<u>\$ 148,711</u>	<u>\$ 385,377</u>	<u>\$ 10,830</u>	<u>\$ -</u>	<u>\$ 1,103,861</u>
Totals	<u>\$ 773,643</u>	<u>\$ 847,775</u>	<u>\$ 829,810</u>	<u>\$ 825,593</u>	<u>\$3,909,324</u>	<u>\$ 770,830</u>	<u>\$ -</u>	<u>\$ 7,956,975</u>

11. LONG TERM DEBT OBLIGATIONS (Continued)

**REGULATORY REQUIRED
SUPPLEMENTAL INFORMATION**

**UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS**

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

Funds	Certified Budget	Adjustment to Comply with Legal Maximum	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General Funds:						
General	\$ 6,865,512	\$ (44,807)	\$ 16,095	\$ 6,836,800	\$ 6,834,582	\$ (2,218)
Supplemental General	2,098,281	(2,917)	-	2,095,364	2,095,364	-
Special Purpose Funds:						
4 Yr Old At Risk	15,110	-	-	15,110	3,871	(11,239)
K-12 At Risk	1,194,929	-	-	1,194,929	1,123,346	(71,583)
Virtual Education	36,372	-	-	36,372	21,500	(14,872)
Capital Outlay	601,393	-	-	601,393	195,719	(405,674)
Driver Education	15,875	-	-	15,875	10,612	(5,263)
Food Service	510,812	-	-	510,812	545,696	34,884
Inservice Education	40,982	-	-	40,982	10,603	(30,379)
Special Education	1,471,104	-	-	1,471,104	1,269,853	(201,251)
Vocational Education	281,579	-	-	281,579	222,448	(59,131)
KPERS Special Retirement	910,722	-	-	910,722	800,412	(110,310)
Historical Museum	24,049	-	-	24,049	24,049	-
Bond and Interest Fund	775,277	-	-	775,277	775,277	-
	<u>14,841,997</u>					

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, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ -	\$ -	\$ -	\$ -
Delinquent tax	-	-	-	-
Interest	-	-	-	-
Reimbursement	21,218	16,095	-	16,095
State Sources				
General aid	5,560,551	5,976,752	5,957,083	19,669
Special education aid	858,281	841,731	908,429	(66,698)
Total Cash Receipts	6,440,050	6,834,578	\$ 6,865,512	\$ (30,934)
Expenditures				
Instruction	2,746,996	2,813,822	\$ 2,735,712	\$ 78,110
Support Services				
Student Support	326,339	298,483	349,355	(50,872)
Instructional Support	86,041	77,671	101,595	(23,924)
General Administration	310,208	408,399	400,716	7,683
School Administration	656,144	686,553	669,714	16,839
Operations and Maintenance	836,037	972,245	853,195	119,050
Transportation	175,787	150,507	210,365	(59,858)
Central Services	63,477	60,911	64,737	(3,826)
Operating transfers to Other Funds				
Driver Education	8,767	-	9,675	(9,675)
Inservice Education	11,140	9,556	26,000	(16,444)
Food Service	50,256	43,614	129,730	(86,116)
Vocational Education	149,153	-	34,072	(34,072)
Virtual Education	24,300	19,200	-	19,200
Special Education	994,352	1,255,096	1,280,646	(25,550)
Contingency Reserve	-	37,106	-	37,106
4 Yr Old At Risk	1,049	-	-	-
K-12 At Risk	-	1,421	-	1,421
Adjustments to Budget				
Adjustment for Reimbursed Expenses	-	-	16,095	(16,095)
Adjustment for Legal Maximum	-	-	(44,807)	44,807
Total Expenditures Subject to Budget	6,440,046	6,834,582	\$ 6,836,800	\$ (2,218)
Receipts Over (Under) Expenditures	4	(4)		
Unencumbered Cash, Beginning	-	4		
Unencumbered Cash, Ending	\$ 4	\$ -		

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, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 351,078	\$ 369,377	\$ 356,575	\$ 12,802
Delinquent tax	24,049	24,986	11,081	13,905
Motor vehicle tax	36,512	39,857	35,474	4,383
Reimbursements	-	-	-	-
State Sources				
Supplemental aid	1,599,852	1,611,125	1,613,368	(2,243)
Operating Transfer from Other Funds				
General Fund	-	-	-	-
Total Cash Receipts	2,011,491	2,045,344	\$ 2,016,498	\$ 28,846
Expenditures				
Instruction	320,900	284,294	\$ 333,700	\$ (49,406)
Support Services				
Student Support	16,404	6,377	6,200	177
Instructional Support	1,571	12,643	11,900	743
General Administration	26,424	26,272	25,300	972
School Administration	19,684	12,342	20,700	(8,358)
Operations and Maintenance	110,624	217,946	46,554	171,392
Transportation	231	-	-	-
Other Supplemental Services	7,500	-	-	-
Operating transfers to Other Funds				
Special Education	278,096	134,318	190,458	(56,140)
Driver's Education	-	6,600	-	6,600
K-12 At Risk	1,138,628	1,169,235	1,191,116	(21,881)
Vocational Education	124,886	190,947	257,353	(66,406)
4 Year At Risk	9,359	33,762	15,000	18,762
Bilingual Education	210	629	-	629
Adjustments to Budget				
Adjustment for Legal Maximum	-	-	(2,917)	2,917
Total Expenditures Subject to Budget	2,054,517	2,095,364	\$ 2,095,364	\$ -
Receipts Over (Under) Expenditures	(43,026)	(50,020)		
Unencumbered Cash, Beginning	124,809	81,783		
Unencumbered Cash, Ending	\$ 81,783	\$ 31,763		

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, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
State Sources				
State Aid	\$ -	\$ -	\$ -	\$ -
Operating Transfer from Other Funds				
Supplemental General	210	629	-	629
General Fund	-	-	-	-
Total Cash Receipts	<u>210</u>	<u>629</u>	<u>\$ -</u>	<u>\$ 629</u>
Expenditures				
Instruction	-	-	\$ -	\$ -
Other Supplemental Services	-	-	-	-
Total Expenditures				
Subject to Budget	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	210	629		
Unencumbered Cash, Beginning	<u>-</u>	<u>210</u>		
Unencumbered Cash, Ending	<u>\$ 210</u>	<u>\$ 839</u>		

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, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Operating Transfer from Other Funds				
Supplemental General	9,359	33,762	15,000	18,762
General Fund	1,049	-	-	-
Total Cash Receipts	10,408	33,762	\$ 15,000	\$ 18,762
Expenditures				
Instruction	8,151	635	\$ 12,900	\$ (12,265)
Other Supplemental Services	2,156	3,236	2,210	1,026
Total Expenditures				
Subject to Budget	10,307	3,871	\$ 15,110	\$ (11,239)
Receipts Over (Under) Expenditures	101	29,890		
Unencumbered Cash, Beginning	9	110		
Unencumbered Cash, Ending	\$ 110	\$ 30,000		

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, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Operating Transfer from Other Funds				
Supplemental General Fund	1,138,628	1,169,235	1,191,116	(21,881)
General Fund	-	1,421	-	1,421
Total Cash Receipts	1,138,628	1,170,656	\$ 1,191,116	\$ (20,460)
Expenditures				
Instruction	1,116,900	1,013,497	\$ 1,171,429	\$ (157,932)
Support Services	22,430	109,849	23,500	86,349
Total Expenditures Subject to Budget	1,139,330	1,123,346	\$ 1,194,929	\$ (71,583)
Receipts Over (Under) Expenditures	(702)	47,310		
Unencumbered Cash, Beginning	4,515	3,813		
Unencumbered Cash, Ending	\$ 3,813	\$ 51,123		

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, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Operating Transfer from Other Funds				
Supplemental General Fund	-	-	-	-
General Fund	24,300	19,200	34,072	(14,872)
Total Cash Receipts	24,300	19,200	\$ 34,072	\$ (14,872)
Expenditures				
Instruction	22,150	21,500	\$ 36,372	\$ (14,872)
Support Services	-	-	-	-
Total Expenditures Subject to Budget	22,150	21,500	\$ 36,372	\$ (14,872)
Receipts Over (Under) Expenditures	2,150	(2,300)		
Unencumbered Cash, Beginning	150	2,300		
Prior Year Cancelled Encumbrance	-	-		
Unencumbered Cash, Ending	\$ 2,300	\$ -		

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, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 88,978	\$ 164,360	\$ 166,954	\$ (2,594)
Delinquent tax	3,600	4,280	2,820	1,460
Motor vehicle tax	9,837	9,416	8,335	1,081
Interest on idle funds	24,429	31,270	-	31,270
Miscellaneous	175,210	44,568	-	44,568
State Sources				
State Aid	68,585	140,846	140,684	162
Operating Transfer from Other Funds				
General Fund	-	-	-	-
Total Cash Receipts	<u>370,639</u>	<u>394,740</u>	<u>\$ 318,793</u>	<u>\$ 75,947</u>
Expenditures				
Instruction	34,827	8,756	\$ 75,000	\$ (66,244)
Student Support Services	-	1,341	-	1,341
Instructional Support	-	-	-	-
School Administration	-	-	-	-
Operations & Maintenance	181,630	73,242	297,393	(224,151)
Transportation	23,363	20,735	104,000	(83,265)
Other Support Services	-	-	-	-
Facility Acquisition and Construction	58,856	91,645	125,000	(33,355)
Total Expenditures				
Subject to Budget	<u>298,676</u>	<u>195,719</u>	<u>\$ 601,393</u>	<u>\$ (405,674)</u>
Receipts Over (Under) Expenditures	71,963	199,021		
Unencumbered Cash, Beginning	<u>410,637</u>	<u>482,600</u>		
Unencumbered Cash, Ending	<u>\$ 482,600</u>	<u>\$ 681,621</u>		

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, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	\$ 78	\$ 36	\$ -	\$ 36
State Sources				
State aid	5,292	4,030	5,200	(1,170)
Operating Transfer from Other Funds				
Supplemental General Fund	-	6,600		6,600
General Fund	8,767	-	9,675	(9,675)
Total Cash Receipts	14,137	10,666	\$ 14,875	\$ (4,209)
Expenditures				
Instruction	13,769	9,989	\$ 14,575	\$ (4,586)
Support Services				
Operations and Maintenance	256	623	1,300	(677)
Total Expenditures				
Subject to Budget	14,025	10,612	\$ 15,875	\$ (5,263)
Receipts Over (Under) Expenditures	112	54		
Unencumbered Cash, Beginning	6,434	6,546		
Unencumbered Cash, Ending	\$ 6,546	\$ 6,600		

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, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Food Service Sales	\$ 100,802	\$ 51,518	\$ 63,804	\$ (12,286)
Other	-	28,923	31,995	(3,072)
State Sources				
State Aid	3,733	3,646	3,027	619
Federal Sources				
Child nutrition aid	319,075	385,510	282,356	103,154
Other aid	20,112	14,559	-	14,559
Operating Transfer from Other Funds				
General Fund	50,256	43,614	129,730	(86,116)
Supplemental General Fund	-	-	-	-
Total Cash Receipts	<u>493,978</u>	<u>527,770</u>	<u>\$ 510,912</u>	<u>\$ 16,858</u>
Expenditures				
Support Services				
Operations and Maintenance	9,541	8,196	\$ 10,227	\$ (2,031)
Operation of Non-Instructional Services				
Food Service Operations	<u>468,429</u>	<u>537,500</u>	<u>500,585</u>	<u>36,915</u>
Total Expenditures				
Subject to Budget	<u>477,970</u>	<u>545,696</u>	<u>\$ 510,812</u>	<u>\$ 34,884</u>
Receipts Over (Under) Expenditures	16,008	(17,926)		
Unencumbered Cash, Beginning	<u>47,985</u>	<u>63,993</u>		
Unencumbered Cash, Ending	<u>\$ 63,993</u>	<u>\$ 46,067</u>		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
INSERVICE EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ 125	\$ -	\$ -	\$ -
State Sources				
State Aid	791	1,639	3,750	(2,111)
Operating Transfer from Other Funds				
Supplemental General Fund	-	-	-	-
General Fund	11,140	9,556	26,000	(16,444)
Total Cash Receipts	12,056	11,195	\$ 29,750	\$ (18,555)
Expenditures				
Support Services				
Instructional Support Staff	11,261	10,603	\$ 40,982	\$ (30,379)
Other Supplemental Services	-	-	-	-
Adjustments to Budget				
Adjustment for Reimbursed Expenses	-	-	-	-
Total Expenditures Subject to Budget	11,261	10,603	\$ 40,982	\$ (30,379)
Receipts Over (Under) Expenditures	795	592		
Unencumbered Cash, Beginning	11,137	11,932		
Prior Year Cancelled Encumbrance	-	-		
Unencumbered Cash, Ending	\$ 11,932	\$ 12,524		

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, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Interest on Idle Funds	\$ -	\$ -	\$ -	\$ -
Miscellaneous	71,032	2,138	-	2,138
Federal Sources				
Federal Aid	-	-	-	-
Operating Transfer from Other Funds				
Supplemental General Fund	278,096	134,318	190,458	(56,140)
General Fund	994,352	1,255,096	1,280,646	(25,550)
Total Cash Receipts	1,343,480	1,391,552	\$ 1,471,104	\$ (79,552)
Expenditures				
Instruction	1,291,905	1,229,294	\$ 1,337,907	\$ (108,613)
Support Services				
Instructional Support	-	-	-	-
Transportation	55,178	40,559	133,197	(92,638)
Total Expenditures Subject to Budget	1,347,083	1,269,853	\$ 1,471,104	\$ (201,251)
Receipts Over (Under) Expenditures	(3,603)	121,698		
Unencumbered Cash, Beginning	101,422	97,819		
Unencumbered Cash, Ending	\$ 97,819	\$ 219,517		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
VOCATIONAL EDUCATION FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Miscellaneous	\$ 792	\$ 3,175	\$ -	\$ 3,175
State Sources				
State aid	1,714	28,406	11,506	16,900
Federal Sources				
Federal aid	1,605	-	-	-
Operating Transfer from Other Funds				
Supplemental General Fund	124,886	190,947	257,353	(66,406)
General Fund	149,153	-	-	-
Total Cash Receipts	278,150	222,528	\$ 268,859	\$ (46,331)
Expenditures				
Instruction	253,289	195,671	\$ 267,202	\$ (71,531)
Support Services	-	-	-	-
Transportation	13,969	26,777	14,377	12,400
Adjustment to Budget				
Adjustment for Reimbursed Budget			-	-
Total Expenditures				
Subject to Budget	267,258	222,448	\$ 281,579	\$ (59,131)
Receipts Over (Under) Expenditures	10,892	80		
Unencumbered Cash, Beginning	1,828	12,720		
Unencumbered Cash, Ending	\$ 12,720	\$ 12,800		

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, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
State Sources				
State Aid	\$ 532,903	\$ 800,412	\$ 910,722	\$ (110,310)
Operating Transfers from Other Funds				
General Fund	-	-	-	-
Total Cash Receipts	532,903	800,412	\$ 910,722	\$ (110,310)
Expenditures				
Instruction	353,209	540,295	\$ 611,927	\$ (71,632)
Student Support	17,701	21,820	26,235	(4,415)
Instructional Support	7,588	9,771	13,551	(3,780)
General Administration	17,441	31,294	30,622	672
School Administration	54,141	78,653	88,587	(9,934)
Central Office	9,325	6,189	15,948	(9,759)
Operations and Maintenance	53,031	84,557	87,778	(3,221)
Trasnportation	14,922	21,322	23,991	(2,669)
Food Service	5,545	6,513	12,083	(5,570)
Total Expenditures				
Subject to Budget	532,903	800,412	\$ 910,722	\$ (110,310)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

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, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem Tax	\$ 22,253	\$ 22,216	\$ 22,495	\$ (279)
Delinquent Tax	1,241	1,339	706	633
Motor Vehicle Tax	2,413	2,351	2,081	270
Miscellaneous	-	-	-	-
Total Cash Receipts	<u>25,907</u>	<u>25,906</u>	<u>\$ 25,282</u>	<u>\$ 624</u>
Expenditures				
Community Service Operations	<u>25,907</u>	<u>24,049</u>	<u>\$ 24,049</u>	<u>\$ -</u>
Total Expenditures Subject to Budget	<u>25,907</u>	<u>24,049</u>	<u>\$ 24,049</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	-	1,857		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 1,857</u>		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
CONTINGENCY RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating transfer from General Fund	\$ -	\$ 37,106
Total Cash Receipts	-	37,106
Expenditures		
Instruction	-	-
Operating transfer to Supplemental General Fund	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	37,106
Unencumbered Cash, Beginning	285,139	285,139
Unencumbered Cash, Ending	\$ 285,139	\$ 322,245

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
TEXTBOOK RENTAL FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Textbook rental	\$ 6,332	\$ 8,775
Miscellaneous	4,523	393
Operating Transfer From Supplemental General	-	-
	<u>10,855</u>	<u>9,168</u>
Total Cash Receipts		
Expenditures		
Instruction	<u>49,407</u>	<u>9,225</u>
Total Expenditures	<u>49,407</u>	<u>9,225</u>
Receipts Over (Under) Expenditures	(38,552)	(57)
Unencumbered Cash, Beginning	<u>95,093</u>	<u>56,541</u>
Unencumbered Cash, Ending	<u>\$ 56,541</u>	<u>\$ 56,483</u>

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
TITLE IV FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	\$ 20,958	\$ 19,698
Total Cash Receipts	20,958	19,698
Expenditures		
Instruction	20,958	19,698
Capital Outlay	-	-
Total Expenditures	20,958	19,698
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, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Reimbursements	\$ 61,219	\$ 49,587
	61,219	49,587
Total Cash Receipts		
Expenditures		
Insurance Premiums	61,229	47,340
	61,229	47,340
Total Expenditures		
Receipts Over (Under) Expenditures	(10)	2,247
Unencumbered Cash, Beginning	(2,228)	(2,238)
Unencumbered Cash, Ending	\$ (2,238)	\$ 9

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
DUNNICLIFFE SPECIAL PROJECTS FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Grants	\$ -	\$ -
Other	-	-
	-	-
Total Cash Receipts	-	-
Expenditures		
Grant Expenditures	-	51
Total Expenditures	-	51
Receipts Over (Under) Expenditures	-	(51)
Unencumbered Cash, Beginning	51	51
Unencumbered Cash, Ending	\$ 51	\$ -

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
CARES - COVID 19 FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ -	\$ 126,600
Total Cash Receipts	-	126,600
Expenditures		
Instruction	-	136,152
General Administration	-	-
Total Expenditures	-	136,152
Receipts Over (Under) Expenditures	-	(9,552)
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ (9,552)

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
SPARKS FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures		
Instruction	-	1,507
General Administration	-	-
Total Expenditures	-	1,507
Receipts Over (Under) Expenditures	-	(1,507)
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ (1,507)

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
MINI-GRANT FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Grants	\$ 13,955	\$ 36,464
State Sources		
Pre-K Pilot Grant	85,797	-
Total Cash Receipts	99,752	36,464
Expenditures		
Grant Expenditures	99,009	25,157
Total Expenditures	99,009	25,157
Receipts Over (Under) Expenditures	743	11,306
Unencumbered Cash, Beginning	59,605	60,348
Unencumbered Cash, Ending	\$ 60,348	\$ 71,654

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
TITLE I FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2020

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ 273,941	\$ 254,681
Total Cash Receipts	273,941	254,681
Expenditures		
Instruction	271,941	252,681
General Administration	2,000	2,000
Total Expenditures	273,941	254,681
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, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ 75,000	\$ 70,000
Total Cash Receipts	75,000	70,000
Expenditures		
Instruction	70,124	68,952
Transportation	-	-
General Administration	4,876	1,048
Total Expenditures	75,000	70,000
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, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ 10,000	\$ 27,002
Total Cash Receipts	10,000	27,002
Expenditures		
Instruction	5,540	9,656
Support Services	4,460	17,346
Total Expenditures	10,000	27,002
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, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	\$ -	\$ 38,180
State Sources		
State Grant	-	38,157
Total Cash Receipts	-	76,337
Expenditures		
Instruction	-	76,337
Total Expenditures	-	76,337
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
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, 2020

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Donations and earnings	\$ 6,467	\$ 6,081
Total Cash Receipts	6,467	6,081
Expenditures		
Scholarships and distributions	18,102	3,299
Total Expenditures	18,102	3,299
Receipts Over (Under) Expenditures	(11,635)	2,782
Unencumbered Cash, Beginning	42,727	31,092
Unencumbered Cash, Ending	\$ 31,092	\$ 33,874

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, 2020

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 298,925	\$ 207,264	\$ 209,077	\$ (1,813)
Delinquent tax	16,032	16,854	9,515	7,339
Motor vehicle tax	35,031	28,861	25,366	3,495
Interest on idle funds	-	-	-	-
Bond proceeds (escrow trust refund)	16,744	-	-	-
State Sources				
State aid	444,648	555,284	555,283	1
Total Cash Receipts	811,380	808,263	\$ 799,241	\$ 9,022
Expenditures				
Debt Service				
Principal	380,000	560,000	\$ 560,000	\$ -
Interest	229,108	215,277	215,277	-
Other	-	-	-	-
Total Expenditures Subject to Budget	609,108	775,277	\$ 775,277	\$ -
Receipts Over (Under) Expenditures	202,272	32,985		
Unencumbered Cash, Beginning	951,589	1,153,861		
Unencumbered Cash, Ending	\$ 1,153,861	\$ 1,186,846		

UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Fiscal Year Ended June 30, 2020

	<u>Beginning Cash Balances</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balances</u>
Agency Funds				
Student Organizations	\$ 90,570	\$ 228,511	\$ 222,695	\$ 96,386
Totals	<u>\$ 90,570</u>	<u>\$ 228,511</u>	<u>\$ 222,695</u>	<u>\$ 96,386</u>

**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, 2020

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Cash Balances June, 30 2018
Gate Receipts						
High School Athletics	\$ 18,993	\$ 46,730	\$ 41,438	\$ 24,285	\$ -	\$ 24,285
Middle School Athletics	1,588	9,205	10,266	526	-	526
Subtotal Gate Receipts	<u>20,581</u>	<u>55,935</u>	<u>51,704</u>	<u>24,811</u>	<u>-</u>	<u>24,811</u>
Special Projects						
District Special Projects	<u>1,925</u>	-	-	1,925	-	1,925
Total District Activity Funds	<u>\$ 22,505</u>	<u>\$ 55,935</u>	<u>\$ 51,704</u>	<u>\$ 26,736</u>	<u>\$ -</u>	<u>\$ 26,736</u>

**UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS**

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

FEDERAL GRANTOR/ PASSTHROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
<u>U.S. Department of Agriculture</u>			
Passed Through the State of Kansas Department of Education			
School Breakfast Program (See Note 2)	10.553	\$ 66,228	\$ 66,228
National School Lunch Program (See Note 2)	10.555	181,167	220,365
Summer Food Service Program (See Note 2)	10.559	138,115	138,295
Fresh Fruits & Vegetables Grant	10.582	14,559	14,559
		400,069	439,447
<u>U.S. Department of Education</u>			
Passed Through the State of Kansas Department of Education			
Title I	84.010	254,681	254,681
Twenty-First Century Community Learning Center	84.287	70,000	70,000
Supporting Effective Instruction	84.367	27,002	27,002
Student Support and Academic Enrichment Program	84.424	19,698	19,698
Elementary and Secondary School Emergency Relief	84.425	126,600	136,152
Passed Through Cherokee County, Kansas			
Elementary and Secondary School Emergency Relief	84.425	-	1,507
		497,981	509,040
<u>U.S. Department of Health and Human Services</u>			
Passed Through the State of Kansas Department of Education			
Temporary Assistance to Needy Families	93.558	38,180	38,180
		38,180	38,180
TOTALS		\$ 936,230	\$ 986,667

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 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.
2. Part of the Child Nutrition Cluster. Total Child Nutrition Cluster expenditures were \$424,888.
3. The District did not elect to use the 10% de minimis indirect cost rate.

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, 2020, and the related notes to the regulatory basis financial statement and have issued our report thereon dated December 31, 2020.

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 2020-001 that we consider to be significant deficiencies.

Compliance and Other Matters

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

We noted certain other matters that we reported to Management of the District in a separate letter dated December 31, 2020.

District's Response to Findings

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

Purpose of this Report

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

Diehl, Banwart, Bolton, CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

December 31, 2020

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
Unified School District #499
Galena, Kansas 66739

Report on Compliance for Each Major Federal Program

We have audited the Unified School District #499's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibilities

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Diehl, Banwart, Bolton, CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

December 31, 2020
Pittsburg, Kansas

**UNIFIED SCHOOL DISTRICT #499
GALENA, KANSAS**

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS:

Type of 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
X 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:

<u>CFDA #</u>	<u>NAME OF PROGRAM</u>
10.553, 10.555, 10.556, & 10.559	Child Nutrition Cluster

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

2020-001 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, 2020 Financial Statements

Corrective Action Plan

Audit Finding 2020-001

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.