

UNIFIED SCHOOL DISTRICT NO. 365

Garnett, Kansas

Financial Statements

For the Year Ended June 30, 2021

This page intentionally left blank

UNIFIED SCHOOL DISTRICT NO. 365
Financial Statements
For the Year Ended June 30, 2021

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i - ii
FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
Summary Statement of Receipts, Expenditures and Unencumbered Cash	3
Notes to the Financial Statements	4 - 10
SUPPLEMENTARY INFORMATION	
SCHEDULE 1	
Summary of Expenditures - Actual and Budget	11
SCHEDULE 2	
Schedule of Receipts and Expenditures - Actual and Budget and Actual Only	
General Fund	12
Supplemental General Fund	13
At Risk (4 Year Old) Fund	14
At Risk (K-12) Fund	15
Capital Outlay Fund	16
Driver Training Fund	17
Food Service Fund	18
Professional Development Fund	19
Special Education Fund	20
Vocational Education Fund	21
Bilingual Education Fund	22
KPERs Special Retirement Contribution Fund	23
Gifts and Grants Fund	24
Textbook Rental and Student Materials Revolving Fund	25
Federal Funds	26
Contingency Reserve Fund	27
Reading Recovery Fund	28
Community College Fund	29
Bond Construction Fund	30
Bond and Interest Fund	31
SCHEDULE 3	
Summary of Receipts and Disbursements	
Student Organization Funds	32
SCHEDULE 4	
Schedule of Receipts, Expenditures and Unencumbered Cash	
District Activity Funds	33

UNIFIED SCHOOL DISTRICT NO. 365
Financial Statements
For the Year Ended June 30, 2021

Table of Contents
(Continued)

	<u>Page Number</u>
GOVERNMENTAL AUDIT SECTION	
Schedule of Expenditures of Federal Awards	34
Notes to the Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36 - 38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39 - 40
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	41 - 42

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Unified School District No. 365, Garnett, Kansas, (the District), as of and for the year ended June 30, 2021 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* (KMAAG) as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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 Unified School District No. 365, Garnett, Kansas, as of June 30, 2021, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District, as of June 30, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, summary of regulatory basis receipts and disbursements-agency funds, and the schedule of regulatory basis receipts, expenditures and unencumbered cash-district activity funds (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statements, however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the 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 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 November 23, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Matter

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the District as of and for the year ended June 30, 2020 (not presented herein) and have issued our report dated November 24, 2020, which contained an unmodified opinion of the basic financial statement. The 2019 basic financial statement and our accompanying report are available in electronic form from the website of the Kansas Department of Administration at the following link: <http://admin.ks.gov/offices/oar/municipal-services>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budgeted for the year ended June 30, 2021 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2020 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 2020 basic financial statement or to the 2020 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 2020 comparative information is fairly stated in all material respects, in relation to the basic financial statement as a whole for the year ended June 30, 2020, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

November 23, 2021

UNIFIED SCHOOL DISTRICT NO. 365
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2021

<u>Funds</u>	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General Funds:							
General	\$ -	\$ -	\$ 7,958,725	\$ 7,958,725	\$ -	\$ 275,812	\$ 275,812
Supplemental General	233,658	-	2,625,095	2,635,000	223,753	2,273	226,026
Special Purpose Funds:							
At Risk (4 Year Old)	44,687	-	24,000	29,713	38,974	551	39,525
At Risk (K-12)	58,495	-	1,138,404	1,081,658	115,241	3,034	118,275
Capital Outlay	1,781,067	-	1,207,126	1,423,278	1,564,915	821,475	2,386,390
Driver Training	40,054	-	36,672	12,743	63,983	-	63,983
Food Service	125,958	-	586,787	567,148	145,597	500	146,097
Professional Development	42,158	-	19,831	8,151	53,838	4,618	58,456
Special Education	961,940	-	1,815,317	1,779,591	997,666	754	998,420
Vocational Education	69,589	-	250,517	243,683	76,423	15,462	91,885
Bilingual Education	261	-	264	-	525	-	525
KPERS Special Retirement Contribution	-	-	947,749	947,749	-	-	-
Gifts and Grants	98,988	-	143,493	144,341	98,140	5,534	103,674
Textbook Rental and Student Materials Revolving	127,804	-	49,359	24,680	152,483	7,301	159,784
Federal Funds	1,048	-	695,823	844,858	[147,987]	104,887	[43,100]
Contingency Reserve	694,384	-	32,000	-	726,384	-	726,384
Reading Recovery	95,794	-	4,125	5,312	94,607	-	94,607
Community College	79,655	-	677	-	80,332	-	80,332
District Activity	27,739	-	147,581	154,163	21,157	-	21,157
Capital Projects Fund:							
Bond Construction	965	-	3	-	968	-	968
Bond and Interest Fund:							
Bond and Interest Fund	2,350,396	-	1,668,325	1,557,805	2,460,916	-	2,460,916
Total	\$ 6,834,640	\$ -	\$ 19,351,873	\$ 19,418,598	\$ 6,767,915	\$ 1,242,201	\$ 8,010,116

Composition of Cash:

Goppert State Service Bank	
Checking Accounts	\$ 6,169,598
Certificate of Deposit	545,875
Bank of Greeley	
Checking Accounts	480
Certificate of Deposit	600,000
Farmer's State Bank	
Certificate of Deposit	300,000
Patriot's Bank	
Checking Accounts	902
Certificate of Deposit	510,764
Security Bank	968
Cash Balance	8,128,587
Less: Agency Funds per Schedule 3	[118,471]
Total Reporting Entity (Excluding Agency Funds)	\$ 8,010,116

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

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

Reimbursed Expenses

Expenditures in the amount of \$5,924 are classified as reimbursed expenses in the General Fund. The purpose of these expenditures is payments for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934.

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

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

Basis of Accounting

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

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

Regulatory Basis Fund Types

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

The following types of funds comprise the financial activities of the District for the year ended June 30, 2021:

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

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

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

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

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

Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budget was not amended for the year ended June 30, 2021.

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

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

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

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

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

NOTE 2 - Deposits and Investments

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

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 2 - Deposits and Investments (Continued)

Investments. K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices. As of June 30, 2021, the District held no such investments.

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

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

At June 30, 2021, the District's carrying amount of deposits was \$8,128,587 and the bank balance was \$8,392,318. The bank balance was held by five banks resulting in a concentration of credit risk. Of the bank balance, \$1,000,968 was covered by federal depository insurance and the balance of \$7,391,350 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

NOTE 3 - In-Substance Receipt in Transit

The District received \$439,010 in General State Aid and \$83,544 in Supplemental General State Aid subsequent to June 30, 2021, and as required by K.S.A. 72-6466, the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2021.

NOTE 4 - Long-Term Debt

Following is a detailed listing of the District's long-term debt outstanding at June 30, 2021:

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Certificates of Participation					
Series 2010-A QSCB	12/22/2010	6.21%	9/1/2029	<u>\$ 14,485,000</u>	<u>\$ 14,485,000</u>
Capital Leases					
2014 Buses	1/31/2013	3.00%	9/30/2022	\$ 1,100,000	\$ 244,352
2019 Special Education Bus	8/5/2019	2.80%	8/5/2021	46,900	15,630
2019 Chevrolet Traverse	9/5/2019	3.85%	9/5/2022	26,818	10,798
2020 Chevrolet Traverse	8/7/2021	2.58%	9/5/2022	<u>26,718</u>	<u>18,800</u>
Total				<u>\$ 1,200,436</u>	<u>\$ 289,580</u>

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 4 - Long-Term Debt (Continued)

Following is a summary of changes in long-term debt for the year ended June 30, 2021:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>	<u>Interest Paid Year Ended 6/30/2021</u>
Certificates of Participation					
Series 2010-A QSCB	\$ 14,485,000	\$ -	\$ -	\$ 14,485,000	\$ 900,098
Capital leases	<u>433,422</u>	<u>26,718</u>	<u>170,560</u>	<u>289,580</u>	<u>13,648</u>
Total	<u>\$ 14,918,422</u>	<u>\$ 26,718</u>	<u>\$ 170,560</u>	<u>\$ 14,774,580</u>	<u>\$ 913,746</u>

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

During the year ended June 30, 2021, the District deposited \$657,707 into the sinking fund. The fair market value of the sinking fund's assets at June 30, 2021 was \$5,179,966. The District does not have control over the sinking fund, and therefore, the District's financial statements do not include the sinking fund balance.

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

The District's statutory limit for such bonded indebtedness is approximately \$12 million at June 30, 2021. The District has received authorization from the State of Kansas to exceed this limit.

Annual payment service requirements to maturity for the above leases:

<u>Year Ended June 30,</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2022	\$ 154,080	\$ 8,547	\$ 162,627
2023	134,721	3,932	138,653
2024	<u>779</u>	<u>2</u>	<u>781</u>
	<u>\$ 289,580</u>	<u>\$ 12,481</u>	<u>\$ 302,061</u>

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 5 - Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General	At Risk (4 Year Old)	K.S.A. 72-6478	\$ 24,000
General	Special Education	K.S.A. 72-6478	1,099,102
General	Professional Development	K.S.A. 72-6478	10,000
General	Vocational Education	K.S.A. 72-6478	250,517
General	Contingency Reserve	K.S.A. 72-6478	32,000
General	At Risk (K-12)	K.S.A. 72-6478	884,653
General	Capital Outlay	K.S.A. 72-6478	160,000
General	Driver Training	K.S.A. 72-6478	24,000
Supplemental General	Food Service	K.S.A. 72-6478	9,883
Supplemental General	Special Education	K.S.A. 72-6478	674,782
Supplemental General	Bilingual Education	K.S.A. 72-6478	264
Supplemental General	At Risk (K-12)	K.S.A. 72-6478	<u>253,751</u>
Total			<u>\$ 3,422,952</u>

NOTE 6 - Defined Benefit Pension Plan

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

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 16.15% and 14.41%, respectively, for the fiscal year ended June 30, 2020. The actuarially determined employer contribution rate and the statutory contribution rate was 15.59 % and 14.23%, respectively, for the fiscal year ended June 30, 2021.

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

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 6 - Defined Benefit Pension Plan (Continued)

House Substitute for Senate Bill 109 from the 2018 Legislative session provided an 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 fundings for the KPERS School Group in fiscal year 2020 of \$51 million

The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled \$947,749 for the year ended June 30, 2021.

Net Pension Liability. At June 30, 2021, the District's proportionate share of the collective net pension liability reported by KPERS was \$10,151,143. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. 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, 2020. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

NOTE 7 - Compensated Absences

The District's leave policies are as follows:

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

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

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

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

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

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 8 - Commitments and Contingencies

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the District as of June 30, 2021.

NOTE 9 - Risk Management

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

NOTE 10 - Other Long-Term Obligations from Operations

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

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

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended June 30, 2021.

This page intentionally left blank

UNIFIED SCHOOL DISTRICT NO. 365
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

<u>Funds</u>	<u>Certified Budget</u>	Adjustment to Comply with <u>Legal Max</u>	Adjustment for Qualifying <u>Budget Credits</u>	<u>Total Budget for Comparison</u>	Expenditures Chargeable to Current Year <u>Budget</u>	Variance Over <u>[Under]</u>
Governmental Fund Types:						
General Funds:						
General	\$ 8,098,625	\$ [145,824]	\$ 5,924	\$ 7,958,725	\$ 7,958,725	\$ -
Supplemental General	2,635,000	-	-	2,635,000	2,635,000	-
Special Purpose Funds:						
At Risk (4 Year Old)	69,687	-	-	69,687	29,713	39,974
At Risk (K-12)	1,153,496	-	-	1,153,496	1,081,658	71,838
Capital Outlay	2,510,000	-	-	2,510,000	1,423,278	1,086,722
Driver Training	43,300	-	-	43,300	12,743	30,557
Food Service	639,473	-	-	639,473	567,148	72,325
Professional Development	48,000	-	-	48,000	8,151	39,849
Special Education	2,134,100	-	-	2,134,100	1,779,591	354,509
Vocational Education	319,589	-	-	319,589	243,683	75,906
Bilingual Education	801	-	-	801	-	801
KPERS Special Retirement Contribution	1,128,663	-	-	1,128,663	947,749	180,914
Gifts and Grants	304,550	-	-	304,550	144,341	160,209
Federal Funds	721,005	-	-	721,005	844,858	[123,853]
Bond and Interest Fund:						
Bond and Interest	1,557,805	-	-	1,557,805	1,557,805	-

UNIFIED SCHOOL DISTRICT NO. 365
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
State Aid:				
General state aid	\$ 6,795,816	\$ 6,883,699	\$ 6,978,625	\$ [94,926]
Special education aid	1,054,130	1,069,102	1,120,000	[50,898]
Reimbursements	<u>10,510</u>	<u>5,924</u>	<u>-</u>	<u>5,924</u>
Total Receipts	<u>7,860,456</u>	<u>7,958,725</u>	<u>\$ 8,098,625</u>	<u>\$ [139,900]</u>
Expenditures				
Instruction	2,225,912	2,363,330	\$ 2,396,316	\$ 32,986
Student support services	228,118	228,220	265,975	37,755
Instructional support services	200,836	211,429	212,450	1,021
General administration	206,481	213,099	218,931	5,832
School administration	730,695	706,977	767,188	60,211
Central services	125,068	130,975	248,850	117,875
Operations and maintenance	1,094,692	1,116,858	1,037,630	[79,228]
Transportation	508,715	503,565	597,585	94,020
Transfers out	2,539,939	2,484,272	2,353,700	[130,572]
Adjustments for qualifying budget credit	-	-	5,924	5,924
Adjustments to comply with legal max	<u>-</u>	<u>-</u>	<u>[145,824]</u>	<u>[145,824]</u>
Total Expenditures	<u>7,860,456</u>	<u>7,958,725</u>	<u>\$ 7,958,725</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Supplemental General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	\$ 1,488,690	\$ 1,461,171	\$ 1,320,265	\$ 140,906
Delinquent taxes	30,965	26,085	26,902	[817]
Motor vehicle tax	149,792	160,678	74,806	85,872
Recreational vehicle tax	3,574	4,582	6,793	[2,211]
State aid	<u>939,339</u>	<u>972,579</u>	<u>972,579</u>	<u>-</u>
Total Receipts	<u>2,612,360</u>	<u>2,625,095</u>	<u>\$ 2,401,345</u>	<u>\$ 223,750</u>
Expenditures				
Instruction	1,792,960	1,629,358	\$ 1,888,834	\$ 259,476
Student support services	64,594	66,962	62,050	[4,912]
Transfers out	<u>752,446</u>	<u>938,680</u>	<u>684,116</u>	<u>[254,564]</u>
Total Expenditures	<u>2,610,000</u>	<u>2,635,000</u>	<u>\$ 2,635,000</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	2,360	[9,905]		
Unencumbered Cash, Beginning	<u>231,298</u>	<u>233,658</u>		
Unencumbered Cash, Ending	<u>\$ 233,658</u>	<u>\$ 223,753</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
At Risk (4 Year Old) Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Transfers in	\$ 51,616	\$ 24,000	\$ 25,000	\$ [1,000]
Total Receipts	<u>51,616</u>	<u>24,000</u>	<u>\$ 25,000</u>	<u>\$ [1,000]</u>
Expenditures				
Instruction	<u>27,707</u>	<u>29,713</u>	<u>\$ 69,687</u>	<u>\$ 39,974</u>
Total Expenditures	<u>27,707</u>	<u>29,713</u>	<u>\$ 69,687</u>	<u>\$ 39,974</u>
Receipts Over [Under] Expenditures	23,909	[5,713]		
Unencumbered Cash, Beginning	<u>20,778</u>	<u>44,687</u>		
Unencumbered Cash, Ending	<u>\$ 44,687</u>	<u>\$ 38,974</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
At Risk (K-12) Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Transfers in	\$ 1,049,255	\$ 1,138,404	\$ 1,095,000	\$ 43,404
Total Receipts	<u>1,049,255</u>	<u>1,138,404</u>	<u>\$ 1,095,000</u>	<u>\$ 43,404</u>
Expenditures				
Instruction	<u>1,034,719</u>	<u>1,081,658</u>	<u>1,153,496</u>	<u>71,838</u>
Total Expenditures	<u>1,034,719</u>	<u>1,081,658</u>	<u>\$ 1,153,496</u>	<u>\$ 71,838</u>
Receipts Over [Under] Expenditures	14,536	56,746		
Unencumbered Cash, Beginning	<u>43,959</u>	<u>58,495</u>		
Unencumbered Cash, Ending	<u>\$ 58,495</u>	<u>\$ 115,241</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Capital Outlay Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	\$ 626,096	\$ 640,554	\$ 604,404	\$ 36,150
Delinquent taxes	11,624	10,808	11,321	[513]
Motor vehicle tax	53,326	63,193	30,768	32,425
Recreational vehicle tax	4,130	4,843	2,793	2,050
Capital outlay state aid	141,253	125,167	125,527	[360]
Investment income	47,114	17,922	10,000	7,922
Miscellaneous	54,646	184,639	54,999	129,640
Transfers in	-	160,000	-	160,000
Total Receipts	<u>938,189</u>	<u>1,207,126</u>	<u>\$ 839,812</u>	<u>\$ 367,314</u>
Expenditures				
Instruction	269,976	-	\$ 560,000	\$ 560,000
Operations and maintenance	34,118	77,095	400,000	322,905
Transportation	32,688	203,367	250,000	46,633
Facility acquisition and construction	682,123	321,341	1,300,000	978,659
Building improvements	-	821,475	-	[821,475]
Total Expenditures	<u>1,018,905</u>	<u>1,423,278</u>	<u>\$ 2,510,000</u>	<u>\$ 1,086,722</u>
Receipts Over [Under] Expenditures	[80,716]	[216,152]		
Unencumbered Cash, Beginning	<u>1,861,783</u>	<u>1,781,067</u>		
Unencumbered Cash, Ending	<u>\$ 1,781,067</u>	<u>\$ 1,564,915</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Driver Training Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
State aid	\$ 6,240	\$ 5,202	\$ 5,625	\$ [423]
Miscellaneous	-	-	5,000	[5,000]
Charges for services	-	7,470	-	7,470
Lease proceeds	26,920	-	-	-
Transfer in	<u>10,000</u>	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Total Receipts	<u>43,160</u>	<u>36,672</u>	<u>\$ 10,625</u>	<u>\$ 26,047</u>
Expenditures				
Instruction	52,957	11,464	\$ 40,800	\$ 29,336
Vehicle operations and maintenance	<u>866</u>	<u>1,279</u>	<u>2,500</u>	<u>1,221</u>
Total Expenditures	<u>53,823</u>	<u>12,743</u>	<u>\$ 43,300</u>	<u>\$ 30,557</u>
Receipts Over [Under] Expenditures	[10,663]	23,929		
Unencumbered Cash, Beginning	<u>50,717</u>	<u>40,054</u>		
Unencumbered Cash, Ending	<u>\$ 40,054</u>	<u>\$ 63,983</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Food Service Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Federal aid	\$ 374,183	\$ 525,635	\$ 310,202	\$ 215,433
State aid	8,314	13,139	4,297	8,842
Charges for services	130,216	28,233	168,444	[140,211]
Miscellaneous revenue	723	9,897	-	9,897
Transfers in	<u>32,445</u>	<u>9,883</u>	<u>33,000</u>	<u>[23,117]</u>
Total Receipts	<u>545,881</u>	<u>586,787</u>	<u>\$ 515,943</u>	<u>\$ 70,844</u>
Expenditures				
Food service operation	535,655	551,819	\$ 618,000	\$ 66,181
Operations and maintenance	8,050	13,542	21,473	7,931
Miscellaneous expenses	<u>-</u>	<u>1,787</u>	<u>-</u>	<u>[1,787]</u>
Total Expenditures	<u>543,705</u>	<u>567,148</u>	<u>\$ 639,473</u>	<u>\$ 72,325</u>
Receipts Over [Under] Expenditures	2,176	19,639		
Unencumbered Cash, Beginning	<u>123,782</u>	<u>125,958</u>		
Unencumbered Cash, Ending	<u>\$ 125,958</u>	<u>\$ 145,597</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Professional Development Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
State aid	\$ 1,668	\$ 542	\$ 3,750	\$ [3,208]
Transfers in	10,000	10,000	10,000	-
Miscellaneous	-	9,289	-	9,289
Total Receipts	<u>11,668</u>	<u>19,831</u>	<u>\$ 13,750</u>	<u>\$ 6,081</u>
Expenditures				
Instructional support services	<u>13,158</u>	<u>8,151</u>	<u>\$ 48,000</u>	<u>\$ 39,849</u>
Total Expenditures	<u>13,158</u>	<u>8,151</u>	<u>\$ 48,000</u>	<u>\$ 39,849</u>
Receipts Over [Under] Expenditures	[1,490]	11,680		
Unencumbered Cash, Beginning	<u>43,648</u>	<u>42,158</u>		
Unencumbered Cash, Ending	<u>\$ 42,158</u>	<u>\$ 53,838</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Special Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Miscellaneous revenue	\$ 73,718	\$ 26,718	\$ -	\$ 26,718
Federal aid	-	14,715	-	14,715
Transfers in	<u>1,724,615</u>	<u>1,773,884</u>	<u>1,605,576</u>	<u>168,308</u>
Total Receipts	<u>1,798,333</u>	<u>1,815,317</u>	<u>\$ 1,605,576</u>	<u>\$ 209,741</u>
Expenditures				
Instruction	1,524,898	1,573,312	\$ 1,854,100	\$ 280,788
Student transportation service	<u>207,911</u>	<u>206,279</u>	<u>280,000</u>	<u>73,721</u>
Total Expenditures	<u>1,732,809</u>	<u>1,779,591</u>	<u>\$ 2,134,100</u>	<u>\$ 354,509</u>
Receipts Over [Under] Expenditures	65,524	35,726		
Unencumbered Cash, Beginning	<u>896,416</u>	<u>961,940</u>		
Unencumbered Cash, Ending	<u>\$ 961,940</u>	<u>\$ 997,666</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Vocational Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
State aid	\$ 1,759	\$ -	\$ -	\$ -
Transfers in	<u>240,504</u>	<u>250,517</u>	<u>250,000</u>	<u>517</u>
Total Receipts	<u>242,263</u>	<u>250,517</u>	<u>\$ 250,000</u>	<u>\$ 517</u>
Expenditures				
Instruction	<u>261,407</u>	<u>243,683</u>	<u>\$ 319,589</u>	<u>\$ 75,906</u>
Total Expenditures	<u>261,407</u>	<u>243,683</u>	<u>\$ 319,589</u>	<u>\$ 75,906</u>
Receipts Over [Under] Expenditures	[19,144]	6,834		
Unencumbered Cash, Beginning	<u>88,733</u>	<u>69,589</u>		
Unencumbered Cash, Ending	<u>\$ 69,589</u>	<u>\$ 76,423</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Bilingual Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Transfers in	\$ 261	\$ 264	\$ 540	\$ [276]
Total Receipts	<u>261</u>	<u>264</u>	<u>540</u>	<u>[276]</u>
Expenditures				
Instruction	-	-	\$ 801	\$ 801
Total Expenditures	<u>-</u>	<u>-</u>	<u>801</u>	<u>801</u>
Receipts Over [Under] Expenditures	261	264		
Unencumbered Cash, Beginning	-	261		
Unencumbered Cash, Ending	<u>\$ 261</u>	<u>\$ 525</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
KPERs Special Retirement Contribution Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
State aid	\$ 1,014,619	\$ 947,749	\$ 1,128,663	\$ [180,914]
Total Receipts	<u>1,014,619</u>	<u>947,749</u>	<u>\$ 1,128,663</u>	<u>\$ [180,914]</u>
Expenditures				
Instruction	608,772	568,651	\$ 660,000	\$ 91,349
Student support services	60,877	56,865	69,000	12,135
Instructional support services	71,023	66,342	80,000	13,658
General administration	60,877	56,865	69,000	12,135
School administration	71,023	66,342	80,000	13,658
Operations and maintenance	81,170	75,820	90,000	14,180
Student transportation services	10,146	9,477	22,000	12,523
Food service	50,731	47,387	58,663	11,276
Total Expenditures	<u>1,014,619</u>	<u>947,749</u>	<u>\$ 1,128,663</u>	<u>\$ 180,914</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Gifts and Grants Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Contributions and donations	\$ 68,551	\$ 51,782	\$ 65,000	\$ [13,218]
Miscellaneous	-	-	150,000	[150,000]
Federal aid	109,580	47,311	-	47,311
State aid	<u>78,539</u>	<u>44,400</u>	<u>63,400</u>	<u>[19,000]</u>
Total Receipts	<u>256,670</u>	<u>143,493</u>	<u>\$ 278,400</u>	<u>\$ [134,907]</u>
Expenditures				
Instruction	302,820	93,427	\$ 302,050	\$ 208,623
Instructional support services	-	-	2,500	2,500
Operations and maintenance	<u>710</u>	<u>50,914</u>	<u>-</u>	<u>[50,914]</u>
Total Expenditures	<u>303,530</u>	<u>144,341</u>	<u>\$ 304,550</u>	<u>\$ 160,209</u>
Receipts Over [Under] Expenditures	[46,860]	[848]		
Unencumbered Cash, Beginning	<u>145,848</u>	<u>98,988</u>		
Unencumbered Cash, Ending	<u>\$ 98,988</u>	<u>\$ 98,140</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Textbook Rental and Student Materials Revolving Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2021 and 2020

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Charges for services	\$ 45,501	\$ 39,234
Miscellaneous	12,985	10,125
Transfers in	<u>50,000</u>	<u>-</u>
Total Receipts	<u>108,486</u>	<u>49,359</u>
Expenditures		
Instruction	<u>95,185</u>	<u>24,680</u>
Total Expenditures	<u>95,185</u>	<u>24,680</u>
Receipts Over [Under] Expenditures	13,301	24,679
Unencumbered Cash, Beginning	<u>114,503</u>	<u>127,804</u>
Unencumbered Cash, Ending	<u>\$ 127,804</u>	<u>\$ 152,483</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Federal Funds
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

	Title I	Title II-A Teacher Quality	Title IV-A	ESSERF/ CARES	ESSERF II	SPARKS	Actual	Budget	Variance Over [Under]
Receipts									
Federal aid	\$ 214,065	\$ 43,093	\$ 18,430	\$ 142,808	\$ -	\$ -	\$ 418,396	\$ 719,957	\$ [301,561]
Reimbursements	-	-	-	-	-	277,427	277,427	-	277,427
Total Receipts	<u>214,065</u>	<u>43,093</u>	<u>18,430</u>	<u>142,808</u>	<u>-</u>	<u>277,427</u>	<u>695,823</u>	<u>\$ 719,957</u>	<u>\$ [24,134]</u>
Expenditures									
Instruction	206,527	43,093	18,430	61,706	75,277	277,427	682,460	\$ 615,505	\$ [66,955]
Student support services	7,538	-	-	-	72,599	-	80,137	10,500	[69,637]
Operations and maintenance	-	-	-	43,950	-	-	43,950	90,000	46,050
Transportation	-	-	-	-	111	-	111	-	[111]
Miscellaneous	-	-	-	38,200	-	-	38,200	5,000	[33,200]
Total Expenditures	<u>214,065</u>	<u>43,093</u>	<u>18,430</u>	<u>143,856</u>	<u>147,987</u>	<u>277,427</u>	<u>844,858</u>	<u>\$ 721,005</u>	<u>\$ [123,853]</u>
Receipts Over [Under] Expenditures	-	-	-	[1,048]	[147,987]	-	[149,035]		
Unencumbered Cash, Beginning	-	-	-	1,048	-	-	1,048		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ [147,987]</u>	<u>\$ -</u>	<u>\$ [147,987]</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Contingency Reserve Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2021 and 2020

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Transfers in	\$ 123,688	\$ 32,000
Total Receipts	<u>123,688</u>	<u>32,000</u>
Expenditures		
Instruction	-	-
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	123,688	32,000
Unencumbered Cash, Beginning	<u>570,696</u>	<u>694,384</u>
Unencumbered Cash, Ending	<u>\$ 694,384</u>	<u>\$ 726,384</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Reading Recovery Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2021 and 2020

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Reimbursements	\$ 6,300	\$ 4,125
Total Receipts	<u>6,300</u>	<u>4,125</u>
Expenditures		
Instruction	<u>6,160</u>	<u>5,312</u>
Total Expenditures	<u>6,160</u>	<u>5,312</u>
Receipts Over [Under] Expenditures	140	[1,187]
Unencumbered Cash, Beginning	<u>95,654</u>	<u>95,794</u>
Unencumbered Cash, Ending	<u>\$ 95,794</u>	<u>\$ 94,607</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Community College Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2021 and 2020

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Miscellaneous revenue	\$ -	\$ 677
Total Receipts	<u>-</u>	<u>677</u>
Expenditures		
Instruction	<u>5,769</u>	<u>-</u>
Total Expenditures	<u>5,769</u>	<u>-</u>
Receipts Over [Under] Expenditures	[5,769]	677
Unencumbered Cash, Beginning	<u>85,424</u>	<u>79,655</u>
Unencumbered Cash, Ending	<u>\$ 79,655</u>	<u>\$ 80,332</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Bond Construction Fund *
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2021 and 2020

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Investment income	\$ 416	\$ 3
Total Receipts	<u>416</u>	<u>3</u>
Expenditures		
Facility acquisition and construction	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	416	3
Unencumbered Cash, Beginning	<u>549</u>	<u>965</u>
Unencumbered Cash, Ending	<u>\$ 965</u>	<u>\$ 968</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Bond and Interest Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	\$ 664,241	\$ 691,898	\$ 649,604	\$ 42,294
Delinquent taxes	13,147	11,609	11,971	[362]
Motor vehicle tax	54,305	63,837	30,942	32,895
Recreational vehicle tax	4,271	4,826	2,810	2,016
State aid	174,268	156,903	156,912	[9]
Miscellaneous revenue	<u>730,785</u>	<u>739,252</u>	<u>731,952</u>	<u>7,300</u>
Total Receipts	<u>1,641,017</u>	<u>1,668,325</u>	<u>\$ 1,584,191</u>	<u>\$ 84,134</u>
Expenditures				
Deposit to escrow account	621,575	657,707	\$ 657,707	\$ -
Interest	<u>900,098</u>	<u>900,098</u>	<u>900,098</u>	<u>-</u>
Total Expenditures	<u>1,521,673</u>	<u>1,557,805</u>	<u>\$ 1,557,805</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	119,344	110,520		
Unencumbered Cash, Beginning	<u>2,231,052</u>	<u>2,350,396</u>		
Unencumbered Cash, Ending	<u>\$ 2,350,396</u>	<u>\$ 2,460,916</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
 Student Organization Funds
 Summary of Receipts and Disbursements
 Regulatory Basis
 For the Year Ended June 30, 2021

<u>FUND</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
Anderson County Jr/Sr High School Student Organization Funds	\$ 118,147	\$ 103,509	\$ 104,996	\$ 116,660
Garnett Elementary School Student Organization Funds	697	1,424	1,325	796
Greeley Elementary School Student Organization Funds	424	285	229	480
Westphalia Elementary School Student Organization Funds	1,113	1,711	2,289	535
Total Student Organization Funds	<u>\$ 120,381</u>	<u>\$ 106,929</u>	<u>\$ 108,839</u>	<u>\$ 118,471</u>

UNIFIED SCHOOL DISTRICT NO. 365
 District Activity Funds
 Schedule of Receipts, Expenditures and Unencumbered Cash
 Regulatory Basis
 For the Year Ended June 30, 2021

<u>FUND</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Anderson County Jr/Sr High School District Activity Funds	\$ 27,563	\$ -	\$ 110,164	\$ 116,961	\$ 20,766	\$ -	\$ 20,766
Garnett Elementary School District Activity Funds	24	-	28,908	28,908	24	-	24
Greeley Elementary School District Activity Funds	-	-	2,438	2,438	-	-	-
Westphalia Elementary District Activity Funds	152	-	6,071	5,856	367	-	367
Total District Activity Funds	\$ 27,739	\$ -	\$ 147,581	\$ 154,163	\$ 21,157	\$ -	\$ 21,157

UNIFIED SCHOOL DISTRICT NO. 365
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Beginning Unencumbered Cash	Receipts	Expenditures	Ending Unencumbered Cash
<u>U.S. Department of Education</u>					
Passed Through State Department of Education:					
Title I Grants to Local Educational Agencies	84.010	\$ -	\$ 214,065	\$ 214,065	\$ -
Career and Technical Education - Basic Grants to States	84.048	-	2,373	2,373	-
Improving Teacher Quality State Grants	84.367	-	43,093	43,093	-
Student Support and Academic Enrichment Program	84.424	-	18,430	18,430	-
Elementary and Secondary School Emergency Relief Fund	84.425D	1,048	157,523	158,571	-
Total State Department of Education			<u>435,484</u>	<u>436,532</u>	
Passed Through eMINTS National Center:					
Supporting Effective Educator Development	84.423	[8,436]	47,311	44,607	[5,732]
Total eMINTS National Center			<u>47,311</u>	<u>44,607</u>	
Total U.S. Department of Education			<u>482,795</u>	<u>481,139</u>	
<u>U.S. Department of Health and Human Services</u>					
Passed Through State Department of Education:					
Temporary Assistance for Needy Families Cluster:					
Temporary Assistance for Needy Families	93.558	-	23,189	23,189	-
Total Temporary Assistance for Needy Families Cluster			<u>23,189</u>	<u>23,189</u>	
Total U.S. Department of Health and Human Services			<u>23,189</u>	<u>23,189</u>	
<u>U.S. Department of Agriculture</u>					
Passed Through State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	-	125,685	125,685	-
National School Lunch Program	10.555	-	399,950	399,950	-
Total Child Nutrition Cluster			<u>525,635</u>	<u>525,635</u>	
Fresh Fruit and Vegetable Program	10.582	-	1,242	1,242	-
Total U.S. Department of Agriculture			<u>526,877</u>	<u>526,877</u>	
<u>U.S. Department of Treasury</u>					
Passed Through Unified Government of Anderson County					
Coronavirus Relief Fund	21.019	-	277,427	277,427	-
Total U.S. Department of the Treasury			<u>277,427</u>	<u>277,427</u>	
Total Expenditures of Federal Awards			<u>\$ 1,310,288</u>	<u>\$ 1,308,632</u>	

The accompanying notes are an integral part of this schedule.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

1. General

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

2. Basis of Presentation

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

3. Local Government Contributions

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

4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the District's grant programs for economy and efficiency and program results that may result in disallowed costs to the District. However, management does not believe such audits would result in any disallowed costs that would be material to the District's financial position at June 30, 2021.

5. Outstanding Loans

The District did not have any outstanding loans under any federal grants at June 30, 2021.

6. Pass Through Numbers

Pass through numbers have not been assigned to pass through grants on the schedule of expenditures of federal awards.

UNIFIED SCHOOL DISTRICT NO. 365
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

	<div style="display: inline-block; width: 45%;">Unmodified (Regulatory Basis)</div> <div style="display: inline-block; width: 55%;">Adverse (GAAP)</div>
Type of auditor's report issued:	
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes _____ None reported
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

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

Identification of major programs:

CFDA Number(s)

10.553, 10.555

Name of Federal Program or Cluster

Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

UNIFIED SCHOOL DISTRICT NO. 365
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

Section II - Financial Statement Findings

Prior Year Findings

Finding 2020-1

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

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

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

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

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

Status - Repeat at 2021-1

Current Year Findings

Finding 2021-1

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

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

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

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

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

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

UNIFIED SCHOOL DISTRICT NO. 365
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

Section III - Federal Award Findings and Questioned Costs

Prior Year Findings

None Noted.

Current Year Findings

None Noted.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of the Unified School District No. 365, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 23, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2021-1, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Purpose of this Report

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

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

November 23, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Unified School District No. 365, (the District) 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 program for the year ended June 30, 2021. The District's major federal financial program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *Kansas Municipal Audit and Accounting Guide*. 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 on 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 its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The 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 the 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 the 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 the 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 or significant deficiencies. 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.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

November 23, 2021