

UNIFIED SCHOOL DISTRICT NO. 373

NEWTON, KANSAS

Financial Statement

For the Year Ended June 30, 2019

Unified School District No. 373

For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 373
Newton, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 373, Newton, Kansas (District), as of and for the year ended June 30, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

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 District'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 District'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 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, 2019, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the 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, 2019, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2019 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, schedule of regulatory basis receipts and disbursements-agency funds, and 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 2019 basic financial statement, but are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 2019 basic financial statement. The 2019 information has been subjected to the auditing procedures applied in the audit of the 2019 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 basic financial statement or to the 2019 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2019 basic financial statement as a whole, on the basis of accounting described in Note 1.

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, 2018 (not presented herein), and have issued our report thereon dated December 17, 2018, which contained an unmodified opinion on the basic financial statement. The 2018 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2018 actual column (2018 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended June 30, 2019 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the 2019 basic financial statement. Such 2018 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 2018 basic financial statement. The 2018 comparative information was subjected to the auditing procedures applied in the audit of the 2018 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 basic financial statement or to the 2018 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 2018 comparative information is fairly stated in all material respects in relation to the 2018 basic financial statement as a whole for the year ended June 30, 2018, on the basis of accounting described in Note 1.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statement of the District. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United State of America and the *Kansas Municipal Audit and Accounting Guide (KMAAG)*. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated November 21, 2019, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Krudsen, Monroe & Company, LLC

Certified Public Accountants
Newton, Kansas
November 21, 2019

Unified School District No. 373

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
Regulatory Basis

For the Year Ended June 30, 2019

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Funds						
General	\$ -	22,699,857	22,699,857	-	11,356	11,356
Supplemental General	201,937	6,966,103	6,924,245	243,795	-	243,795
Special Purpose Funds						
Adult Basic Education	30,000	19,250	19,250	30,000	-	30,000
Bilingual Education	120,000	373,904	377,678	116,226	-	116,226
Virtual Education	36,545	50,270	28,402	58,413	-	58,413
Professional Development	276,753	245,757	236,099	286,411	1,925	288,336
At Risk (K-12)	250,000	3,792,401	3,792,401	250,000	1,075	251,075
At Risk (4 year old)	100,000	345,517	295,517	150,000	385	150,385
Capital Outlay	1,337,512	2,531,545	2,437,431	1,431,626	518,444	1,950,070
Driver Training	54,133	25,448	29,586	49,995	-	49,995
Food Service	471,225	1,735,372	1,804,216	402,381	-	402,381
Parent Education	39,706	132,917	132,041	40,582	915	41,497
Summer School	33,365	10,215	11,855	31,725	-	31,725
Special Education	986,448	5,118,678	5,156,485	948,641	-	948,641
Special Education Cooperative	356,695	8,388,840	8,167,977	577,558	849	578,407
Career and Postsecondary Education	310,166	1,510,972	1,479,247	341,891	-	341,891
KPERS Employer Contribution	-	1,695,323	1,695,323	-	-	-
Recreation Commission	50,677	1,411,761	1,368,000	94,438	-	94,438
Recreation Commission Employee Benefits	10,763	309,924	300,000	20,687	-	20,687
Contingency Reserve	1,300,000	-	-	1,300,000	-	1,300,000
Textbook and Material Revolving	458,773	204,827	308,950	354,650	19,013	373,663
Employer Fixed Charges	-	192,478	192,478	-	99,535	99,535
Federal and State Grant Programs	(16,084)	1,813,527	1,825,259	(27,816)	27,868	52
Bond and Interest Funds						
Bond and Interest	3,749,119	4,337,455	4,055,463	4,031,111	-	4,031,111
Bond Redemption	18,335	-	15,890	2,445	-	2,445
District Activity Funds						
Activity Gate Receipts	81,400	298,427	300,872	78,955	-	78,955
School Projects	28,708	86,517	83,330	31,895	-	31,895
Total Reporting Entity						
(Excluding Agency Funds)	\$ 10,286,176	64,297,285	63,737,852	10,845,609	681,365	11,526,974
Composition of Cash						
Midland National Bank						
Checking						\$ 155,050
First Bank						
Checking						1,643,583
Municipal Investment Pool						10,147,820
Total Cash						11,946,453
Less Agency Funds (Schedule 3)						419,479
Total Reporting Entity (Excluding Agency Funds)						\$ 11,526,974

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

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

Unified School District No. 373, Newton, Kansas, is a municipal corporation governed by an elected seven-member board. This regulatory financial statement presents Unified School District No. 373 (District), a municipality.

Regulatory Basis Fund Types

General 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.

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.

Trust Fund – used to report assets held in trust for the benefit of the District (i.e., pension funds, investment trust funds, private purpose trust funds which benefit the District, scholarship funds, etc.).

Agency Fund – used to report assets held by the District in a purely custodial capacity (payroll clearing fund, tax collection accounts, etc.).

Activity Fund – under provisions of K.S.A. 72-8208a, the Board of Education adopted a resolution relating to the school activity funds which results in the activity funds being accounted for under policies and procedures of the Board. In this financial statement, school activity funds of the District are classified as special purpose funds.

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.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Funds, Special Purpose Funds (unless specifically exempted by statute), and the Bond and Interest Fund. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

Unified School District No. 373
 NOTES TO FINANCIAL STATEMENT
 June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Preparation of the budget for the succeeding fiscal year on or before August 1st.
- Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- 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 General Fund budget was amended for this year.

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 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 the prior year's accounts payable and encumbrances. Encumbrances are commitments by 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.

A legal operating budget is not required for Agency Funds and certain Special Purpose Funds.

Spending in funds that 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.

2. DEPOSITS AND INVESTMENTS

As of June 30, 2019, the District had the following investment and maturity:

Investment Type	Fair Value	Investment Maturity (in Years) Less than 1	Rating U.S.
Kansas Municipal Investment Pool	\$ 8,616,586	8,616,586	N/A

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. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2019

2. DEPOSITS AND INVESTMENTS (Continued)

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. The rating of the District's investments is noted above.

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, 2019, the District held 100% of their investments in the Kansas Municipal Investment Pool.

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. All deposits were legally secured at June 30, 2019.

At June 30, 2019, the District's carrying amount of deposits was \$1,798,633 and the bank balance was \$4,775,116. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$414,095 was covered by federal depository insurance, and \$4,361,021 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the 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.

At June 30, 2019, the District had invested \$8,616,586 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

3. IN-SUBSTANCE RECEIPT IN TRANSIT

The District received \$1,541,572 subsequent to June 30, 2019, 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, 2019.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2019

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

K.S.A. 10-130 requires municipalities to remit payments for any bonds or interest to the state fiscal agent at least twenty days before the date of maturity. The District's September general obligation bond payment was not made timely in accordance with this statute.

Per K.S.A. 9-1402, the District's financial institution is required to pledge securities for deposits in excess of FDIC coverage. The District's financial institution did not maintain proper records of pledged securities, which resulted in the District's deposits being inadequately secured at the beginning of the fiscal year. The issue was resolved immediately after it was discovered.

5. LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended June 30, 2019, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions /Payments	Balance End of Year	Interest Paid
General Obligation Bonds									
2007 Refunding & Improvement	4.0-5.0%	12/01/2007	\$ 31,855,000	09/01/2026	\$ 3,280,000	-	2,780,000	500,000	207,600
2012 Refunding	2.0%	12/01/2012	9,885,000	09/01/2026	9,045,000	-	150,000	8,895,000	179,400
2013 Refunding	2.0%	06/01/2013	9,845,000	09/01/2024	6,680,000	-	120,000	6,560,000	132,400
2014 Refunding	2.0-3.0%	12/01/2014	9,635,000	09/01/2022	8,235,000	-	140,000	8,095,000	211,063
2018 Refunding	4.0%	06/28/2018	5,000,000	09/01/2020	5,000,000	-	-	5,000,000	135,000
					32,240,000	-	3,190,000	29,050,000	865,463
Capital Lease Payable									
Wireless radio upgrade	4.09%	03/15/2016	163,559	03/15/2019	41,689	-	41,689	-	1,737
Total contractual indebtedness					\$32,281,689	-	3,231,689	29,050,000	867,200

Current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

	Year Ending June 30						Total
	2020	2021	2022	2023	2024	2025 to 2027	
General Obligation Bonds							
Principal	\$ 3,360,000	3,560,000	3,860,000	3,965,000	4,305,000	10,000,000	29,050,000
Interest	679,337	551,913	445,156	344,100	243,050	226,100	2,489,656
Total principal and interest	\$ 4,039,337	4,111,913	4,305,156	4,309,100	4,548,050	10,226,100	31,539,656

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2019

6. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
General	Bilingual Education	K.S.A. 72-5167	\$ 11,504
General	Virtual Education	K.S.A. 72-5167	50,270
General	Professional Development	K.S.A. 72-5167	235,000
General	At Risk (K-12)	K.S.A. 72-5167	1,521,885
General	At Risk (4 year old)	K.S.A. 72-5167	298,951
General	Parent Education	K.S.A. 72-5167	35,000
General	Special Education	K.S.A. 72-5167	3,852,379
General	Career and Postsecondary Education	K.S.A. 72-5167	1,080,902
General	Textbook and Material Revolving	K.S.A. 72-5167	20,000
Supplemental General	Adult Basic Education	K.S.A. 72-5143	19,250
Supplemental General	Bilingual Education	K.S.A. 72-5143	362,400
Supplemental General	At Risk (K-12)	K.S.A. 72-5143	2,263,355
Supplemental General	At Risk (4 year old)	K.S.A. 72-5143	46,566
Supplemental General	Special Education	K.S.A. 72-5143	1,193,977
Supplemental General	Career and Postsecondary Education	K.S.A. 72-5143	330,625
Special Education	Special Education Cooperative	K.S.A. 72-978(h)	4,930,567
			<u>\$ 16,252,631</u>

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 79-4927, 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, 2019.

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.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2019

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

Compensated Absences

Classified employees on a 12-month contract who work at least 20 hours per week are credited with 9 days of sick leave after 60 days of continuous service. After the initial 60-day period, classified employees accrue sick leave monthly and may accumulate 130 days of total compensated leave.

Certified teaching staff is credited with 15 days of temporary chargeable leave (due to illness, bereavement, etc.) on the first day of their employment with the District. After the first year, the teacher receives 10 days of additional leave per year which may be accumulated to 120 days. No compensation is paid for unused leave upon termination.

Classified 12-month employees who work at least 20 hours per week receive 10 days of paid vacation per year during the first 5 years of service. The employee is credited with 5 days of paid vacation after the completion of 6 months of service, and then accrues 10/12 of a day's vacation for each month worked. After 5 years of service, the 12-month employee is credited with 5 additional days per year. Vacation time credited to an employee at July 1 of any year must be used by June 30 of the following year.

The District's liability for compensated absences at June 30, 2019, has not been recorded in this financial statement.

Early Retirement Pension Plan

The District provides an early retirement program for certain eligible employees. The plan defines those eligible as employees who are "currently employed in licensed employment or administrative employment with the District." Eligible retirees under this program may receive benefits for up to 12 years. Payments to retired employees under this plan for the years ended June 30, 2019 and 2018, were \$582,785 and \$544,968, respectively.

8. 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 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 of 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.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2019

8. DEFINED BENEFIT PENSION PLAN (Continued)

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 16.38% and 12.01% respectively, for the fiscal year ended June 30, 2018. The actuarially determined employer contribution rate and statutory contribution rate was 14.59% and 13.21% for the fiscal year ended June 30, 2019.

Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by \$64,130,234 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 year payment of \$6.4 million was received in July 2017.

Per 2017 Senate Substitute for House Bill 2002, Section 51(a), state general fund employer contributions to KPERS were decreased by \$194,022,683 for the fiscal year ended June 30, 2019. 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.

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 \$1,695,323 for the year ended June 30, 2019.

Net Pension Liability

At June 30, 2019, the District's proportionate share of the collective net pension liability reported by KPERS was \$37,136,311. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. 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, 2018. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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.

9. RELATED PARTY TRANSACTIONS

The District is the taxing authority for the Newton Recreation Commission, which operates recreational programs within the District. During the fiscal year ended June 30, 2019, the District levied a total tax of 9.225 mills for the Recreation Commission and Recreation Commission Employee Benefits Funds, which in turn is appropriated to the Newton Recreation Commission for its operations.

Unified School District No. 373
NOTES TO FINANCIAL STATEMENT
June 30, 2019

10. CLAIMS AND JUDGMENTS

The District participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of the date of this report, not all grant expenditures have been audited, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other school districts in the State to participate in the Kansas Association of School Boards (KASB) Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The District pays an annual premium to the KASB for its workers' compensation insurance coverage. The agreement to participate provides that the KASB fund will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KASB management. The District records a liability for estimated additional contributions that may be incurred due to adjustments made by the KASB. The cost of this workers' compensation coverage is charged to District funds based on actual payroll expenditures.

The District continues to carry commercial insurance for all other risks of loss, including liability, property, inland marine, linebacker, and fleet coverage. There have been no significant reductions in insurance coverage from 2018 to 2019, and there were no settlements that exceeded insurance coverage in the past three fiscal years.

During the ordinary course of its operations, the District is exposed to various claims, legal actions and complaints. It is the opinion of the District's management and legal counsel that any current matters are not anticipated to have a material financial impact on the District.

11. DATE OF MANAGEMENT REVIEW

Management has performed an analysis of the activities and transactions subsequent to June 30, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statement. Management has performed their analysis through November 21, 2019, which is the date at which the financial statement was available to be issued.

UNIFIED SCHOOL DISTRICT NO. 373
REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Unified School District No. 373
SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2019

Funds	Certified Budget	Adjustment to to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
GENERAL FUNDS						
General	\$ 22,134,204	(12,837)	578,490	22,699,857	22,699,857	-
Supplemental General	6,924,245	-	-	6,924,245	6,924,245	-
SPECIAL PURPOSE FUNDS						
Adult Basic Education	30,000	-	-	30,000	19,250	(10,750)
Bilingual Education	426,247	-	-	426,247	377,678	(48,569)
Virtual Education	122,073	-	-	122,073	28,402	(93,671)
Professional Development	332,900	-	-	332,900	236,099	(96,801)
At Risk (K-12)	4,090,866	-	-	4,090,866	3,792,401	(298,465)
At Risk (4 year old)	310,000	-	-	310,000	295,517	(14,483)
Capital Outlay	3,482,069	-	-	3,482,069	2,437,431	(1,044,638)
Driver Training	66,613	-	-	66,613	29,586	(37,027)
Food Service	2,279,801	-	-	2,279,801	1,804,216	(475,585)
Parent Education	170,400	-	-	170,400	132,041	(38,359)
Summer School	33,365	-	-	33,365	11,855	(21,510)
Special Education	5,536,298	-	-	5,536,298	5,156,485	(379,813)
Special Education Cooperative	8,860,437	-	-	8,860,437	8,167,977	(692,460)
Career and Postsecondary Education	1,588,539	-	-	1,588,539	1,479,247	(109,292)
KPERS Employer Contribution	4,178,379	-	-	4,178,379	1,695,323	(2,483,056)
Recreation Commission	1,368,000	-	-	1,368,000	1,368,000	-
Recreation Commission Employee Benefits	300,000	-	-	300,000	300,000	-
BOND AND INTEREST FUND	4,055,963	-	-	4,055,963	4,055,463	(500)

Unified School District No. 373

General Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
GENERAL				
RECEIPTS				
General state aid	\$ 18,075,800	18,689,824	18,502,882	186,942
Special education state aid	2,813,174	3,052,379	3,226,484	(174,105)
Reimbursements				
State aid reimbursements	104,156	74,970	-	74,970
Fees and other	867,983	876,851	-	876,851
Miscellaneous	6,003	5,833	-	5,833
Total Receipts	21,867,116	22,699,857	21,729,366	970,491
EXPENDITURES, page 15	21,867,116	22,699,857		
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	-	-		
UNENCUMBERED CASH, ending	\$ -	-		

Unified School District No. 373

General Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
EXPENDITURES				
Instruction	\$ 8,632,054	8,546,024	9,302,759	(756,735)
Student support services	946,038	1,022,271	1,004,467	17,804
Instructional support staff	772,592	602,260	704,130	(101,870)
General administration	192,604	278,196	179,886	98,310
School administration	2,012,053	2,069,977	2,009,363	60,614
Other support services	69,144	24,549	63,972	(39,423)
Operations and maintenance	2,116,822	2,274,407	2,054,939	219,468
Student transportation	553,200	604,285	541,877	62,408
Community services	159,938	171,997	41,834	130,163
Transfer to				
Bilingual Education	10,000	11,504	-	11,504
Virtual Education	75,000	50,270	85,527	(35,257)
Professional Development	116,917	235,000	30,036	204,964
At Risk (K-12)	2,453,831	1,521,885	1,521,885	-
At Risk (4 year old)	20,000	298,951	210,000	88,951
Capital Outlay	40,818	-	-	-
Parent Education	30,000	35,000	-	35,000
Special Education	3,663,174	3,852,379	3,226,484	625,895
Career and Postsecondary Education	2,931	1,080,902	1,157,045	(76,143)
Textbook and Material Revolving	-	20,000	-	20,000
	21,867,116	22,699,857	22,134,204	565,653
Adjustment to comply with legal max	-	-	(12,837)	12,837
Legal General Fund budget	21,867,116	22,699,857	22,121,367	578,490
Budget adjustments				
Qualifying budget credits	-	-	578,490	(578,490)
Total Expenditures	\$ 21,867,116	22,699,857	22,699,857	-

Unified School District No. 373

General Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
SUPPLEMENTAL GENERAL				
RECEIPTS				
Tax in process	\$ 21,088	59,404	57,364	2,040
Current tax	2,505,867	2,268,949	2,101,855	167,094
Delinquent tax	39,026	84,500	39,311	45,189
Motor vehicle tax	320,687	340,539	311,066	29,473
State aid	-	4,212,711	4,212,711	-
Transfer from General	4,087,520	-	-	-
Total receipts	<u>6,974,188</u>	<u>6,966,103</u>	<u>6,722,307</u>	<u>243,796</u>
EXPENDITURES				
Instruction	50,294	51,463	160,334	(108,871)
Student support services	13,910	15,036	-	15,036
Instructional support staff	406,634	428,380	402,306	26,074
General administration	266,805	253,512	253,129	383
Other support services	562,458	611,405	589,671	21,734
Operations and maintenance	1,207,722	1,348,276	1,591,163	(242,887)
Transfer to				
Adult Basic Education	19,250	19,250	19,250	-
Bilingual Education	421,922	362,400	306,247	56,153
Professional Development	111,583	-	-	-
At Risk (K-12)	1,109,689	2,263,355	2,318,981	(55,626)
At Risk (4 year old)	258,539	46,566	-	46,566
Parent Education	-	-	34,798	(34,798)
Special Education	1,239,042	1,193,977	1,248,366	(54,389)
Career and Postsecondary Education	1,292,781	330,625	-	330,625
Total expenditures	<u>6,960,629</u>	<u>6,924,245</u>	<u>6,924,245</u>	<u>-</u>
Receipts over (under) expenditures	13,559	41,858		
UNENCUMBERED CASH, beginning	<u>188,378</u>	<u>201,937</u>		
UNENCUMBERED CASH, ending	<u>\$ 201,937</u>	<u>243,795</u>		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
ADULT BASIC EDUCATION				
RECEIPTS				
Transfer from				
Supplemental General	\$ 19,250	19,250	19,250	-
EXPENDITURES				
Instruction	19,250	19,250	30,000	(10,750)
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	30,000	30,000		
UNENCUMBERED CASH, ending	\$ 30,000	30,000		
BILINGUAL EDUCATION				
RECEIPTS				
Transfer from				
General	\$ 10,000	11,504	-	11,504
Supplemental General	421,922	362,400	306,247	56,153
Total receipts	431,922	373,904	306,247	67,657
EXPENDITURES				
Instruction	432,562	377,678	426,247	(48,569)
Receipts over (under) expenditures	(640)	(3,774)		
UNENCUMBERED CASH, beginning	120,640	120,000		
UNENCUMBERED CASH, ending	\$ 120,000	116,226		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
VIRTUAL EDUCATION				
RECEIPTS				
Transfer from				
General	\$ 75,000	50,270	85,527	(35,257)
EXPENDITURES				
Instruction	65,750	27,991	120,573	(92,582)
General administration	-	103	-	103
Student support services	-	-	-	-
Other	1,600	308	1,500	(1,192)
Total expenditures	67,350	28,402	122,073	(93,671)
Receipts over (under) expenditures	7,650	21,868		
UNENCUMBERED CASH, beginning	28,895	36,545		
UNENCUMBERED CASH, ending	\$ 36,545	58,413		
PROFESSIONAL DEVELOPMENT				
RECEIPTS				
State aid	\$ 18,318	10,288	26,111	(15,823)
Miscellaneous income	-	469	-	469
Transfer from				
General	116,917	235,000	30,036	204,964
Supplemental General	111,583	-	-	-
Total receipts	246,818	245,757	56,147	189,610
EXPENDITURES				
Instructional staff support				
Salaries and benefits	69,052	111,768	92,100	19,668
Consultants	97,905	70,117	100,000	(29,883)
School administration	1,300	7,071	32,000	(24,929)
Registration and travel	33,285	19,259	56,800	(37,541)
Supplies and other	24,818	27,884	52,000	(24,116)
Total expenditures	226,360	236,099	332,900	(96,801)
Receipts over (under) expenditures	20,458	9,658		
UNENCUMBERED CASH, beginning	256,295	276,753		
UNENCUMBERED CASH, ending	\$ 276,753	286,411		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
AT RISK (K-12)				
RECEIPTS				
Other	\$ 10,546	7,161	-	7,161
Transfer from				
General	2,453,831	1,521,885	1,521,885	-
Supplemental General	1,109,689	2,263,355	2,318,981	(55,626)
Total receipts	3,574,066	3,792,401	3,840,866	(48,465)
EXPENDITURES				
Instruction	3,574,126	3,788,869	4,090,866	(301,997)
School administration	(60)	2,852	-	2,852
Student transportation services	-	680	-	680
Total expenditures	3,574,066	3,792,401	4,090,866	(298,465)
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	250,000	250,000		
UNENCUMBERED CASH, ending	\$ 250,000	250,000		
AT RISK (4 Year Old)				
RECEIPTS				
Transfer from				
General	\$ 20,000	298,951	210,000	88,951
Supplemental General	258,539	46,566	-	46,566
Total receipts	278,539	345,517	210,000	135,517
EXPENDITURES				
Instruction	185,659	201,626	207,707	(6,081)
Student support services	7,096	7,815	7,675	140
Instructional staff support	-	407	-	407
School administration	33,304	33,534	34,786	(1,252)
Student transportation	45,958	45,472	52,700	(7,228)
Other supplemental services	6,522	6,663	7,132	(469)
Total expenditures	278,539	295,517	310,000	(14,483)
Receipts over (under) expenditures	-	50,000		
UNENCUMBERED CASH, beginning	100,000	100,000		
UNENCUMBERED CASH, ending	\$ 100,000	150,000		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
CAPITAL OUTLAY				
RECEIPTS				
Tax in process	\$ 12,964	24,185	22,347	1,838
Current tax	1,075,228	1,241,157	1,196,293	44,864
Delinquent tax	17,632	40,683	16,832	23,851
Motor vehicle tax	170,959	166,659	154,602	12,057
Capital outlay state aid	577,320	692,545	704,483	(11,938)
Interest	119,879	239,198	50,000	189,198
Sale of assets and other	220,251	127,118	-	127,118
Transfer from				
General	40,818	-	-	-
Total receipts	<u>2,235,051</u>	<u>2,531,545</u>	<u>2,144,557</u>	<u>386,988</u>
EXPENDITURES				
Instruction	900,849	648,532	1,320,712	(672,180)
Instructional support services	447,785	202,463	500,000	(297,537)
Student support services	7,200	7,200	25,000	(17,800)
School administration	124,069	30,805	125,000	(94,195)
General administration	-	2,521	-	2,521
Operations and maintenance	(287)	644,698	75,000	569,698
Other support services	164,200	197,107	200,000	(2,893)
Transportation	178,942	121,482	175,000	(53,518)
Facilities acquisition and construction	546,889	582,623	1,061,357	(478,734)
Total expenditures	<u>2,369,647</u>	<u>2,437,431</u>	<u>3,482,069</u>	<u>(1,044,638)</u>
Receipts over (under) expenditures	(134,596)	94,114		
UNENCUMBERED CASH, beginning	<u>1,472,108</u>	<u>1,337,512</u>		
UNENCUMBERED CASH, ending	<u>\$ 1,337,512</u>	<u>1,431,626</u>		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
DRIVER TRAINING				
RECEIPTS				
State aid	\$ 11,520	14,112	12,480	1,632
Fees and other	16,944	11,336	-	11,336
Total receipts	<u>28,464</u>	<u>25,448</u>	<u>12,480</u>	<u>12,968</u>
EXPENDITURES				
Instruction				
Salaries and benefits	17,797	19,661	47,613	(27,952)
Supplies and other	106	3,795	3,500	295
Vehicle operations and maintenance	<u>5,594</u>	<u>6,130</u>	<u>15,500</u>	<u>(9,370)</u>
Total expenditures	<u>23,497</u>	<u>29,586</u>	<u>66,613</u>	<u>(37,027)</u>
Receipts over (under) expenditures	4,967	(4,138)		
UNENCUMBERED CASH, beginning	<u>49,166</u>	<u>54,133</u>		
UNENCUMBERED CASH, ending	<u>\$ 54,133</u>	<u>49,995</u>		
FOOD SERVICE				
RECEIPTS				
Meal sales	\$ 608,005	593,542	788,968	(195,426)
Federal aid	1,018,598	1,086,218	1,005,283	80,935
State aid	17,144	17,363	14,325	3,038
Other	<u>35,852</u>	<u>38,249</u>	<u>-</u>	<u>38,249</u>
Total receipts	<u>1,679,599</u>	<u>1,735,372</u>	<u>1,808,576</u>	<u>(73,204)</u>
EXPENDITURES				
Food service operation				
Salaries and benefits	841,444	832,185	899,835	(67,650)
Food and supplies	682,843	713,365	983,816	(270,451)
Capital outlay and other	183,272	219,791	356,150	(136,359)
Operations and maintenance	<u>30,042</u>	<u>38,875</u>	<u>40,000</u>	<u>(1,125)</u>
Total expenditures	<u>1,737,601</u>	<u>1,804,216</u>	<u>2,279,801</u>	<u>(475,585)</u>
Receipts over (under) expenditures	(58,002)	(68,844)		
UNENCUMBERED CASH, beginning	<u>529,227</u>	<u>471,225</u>		
UNENCUMBERED CASH, ending	<u>\$ 471,225</u>	<u>402,381</u>		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over Under (Under)
		Actual	Budget	
PARENT EDUCATION				
RECEIPTS				
State aid	\$ 60,120	84,361	83,000	1,361
Other district contributions	13,160	13,556	12,896	660
Transfer from				
General	30,000	35,000	34,798	202
Total receipts	<u>103,280</u>	<u>132,917</u>	<u>130,694</u>	<u>2,223</u>
EXPENDITURES				
Student support services				
Salaries and benefits	91,826	115,443	122,577	(7,134)
Supplies and travel	3,193	5,257	9,000	(3,743)
Other	-	-	29,823	(29,823)
Instructional staff support	7,141	9,341	7,000	2,341
Operations and maintenance	2,000	2,000	2,000	-
Total expenditures	<u>104,160</u>	<u>132,041</u>	<u>170,400</u>	<u>(38,359)</u>
Receipts over (under) expenditures	(880)	876		
UNENCUMBERED CASH, beginning	<u>40,586</u>	<u>39,706</u>		
UNENCUMBERED CASH, ending	<u>\$ 39,706</u>	<u>40,582</u>		
SUMMER SCHOOL				
RECEIPTS				
Student fees	\$ 10,330	10,215	-	10,215
EXPENDITURES				
Instruction	7,984	11,855	32,065	(20,210)
School administration	-	-	1,300	(1,300)
Total expenditures	<u>7,984</u>	<u>11,855</u>	<u>33,365</u>	<u>(21,510)</u>
Receipts over (under) expenditures	2,346	(1,640)		
UNENCUMBERED CASH, beginning	<u>31,019</u>	<u>33,365</u>		
UNENCUMBERED CASH, ending	<u>\$ 33,365</u>	<u>31,725</u>		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
SPECIAL EDUCATION				
RECEIPTS				
Grant income	\$ 19,138	-	-	-
Medicaid	71,590	67,333	70,000	(2,667)
Other	1,551	4,989	5,000	(11)
Transfer from				
General	3,663,174	3,852,379	3,226,484	625,895
Supplemental General	1,239,042	1,193,977	1,248,366	(54,389)
Total receipts	<u>4,994,495</u>	<u>5,118,678</u>	<u>4,549,850</u>	<u>568,828</u>
EXPENDITURES				
Transfer to				
Special Education Cooperative	4,644,859	4,930,567	4,967,916	(37,349)
Instruction	40,463	45,777	300,100	(254,323)
Transportation	225,896	180,141	268,282	(88,141)
Total expenditures	<u>4,911,218</u>	<u>5,156,485</u>	<u>5,536,298</u>	<u>(379,813)</u>
Receipts over (under) expenditures	83,277	(37,807)		
UNENCUMBERED CASH, beginning	<u>903,171</u>	<u>986,448</u>		
UNENCUMBERED CASH, ending	<u>\$ 986,448</u>	<u>948,641</u>		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
SPECIAL EDUCATION COOPERATIVE				
RECEIPTS				
Title VI and other federal aid	\$ 1,206,008	1,211,600	1,212,679	(1,079)
Medicaid reimbursements	120,506	207,916	250,000	(42,084)
Transfer from Special Education	4,644,859	4,930,567	4,967,916	(37,349)
Other District contributions	1,893,289	2,007,476	2,029,147	(21,671)
Other income	46,480	31,281	44,000	(12,719)
Total receipts	<u>7,911,142</u>	<u>8,388,840</u>	<u>8,503,742</u>	<u>(114,902)</u>
EXPENDITURES				
Instruction	6,107,606	6,120,257	6,741,566	(621,309)
Student support services	1,471,709	1,606,298	1,693,711	(87,413)
Instructional staff support	96,468	23,744	84,738	(60,994)
General administration	253,894	349,303	264,467	84,836
School administration	22,421	22,090	22,455	(365)
Operation and maintenance	8,867	13,791	7,500	6,291
Student transportation	17,572	7,494	20,000	(12,506)
Other supplemental services	25,062	25,000	26,000	(1,000)
Total expenditures	<u>8,003,599</u>	<u>8,167,977</u>	<u>8,860,437</u>	<u>(692,460)</u>
Receipts over (under) expenditures	(92,457)	220,863		
UNENCUMBERED CASH, beginning	<u>449,152</u>	<u>356,695</u>		
UNENCUMBERED CASH, ending	<u>\$ 356,695</u>	<u>577,558</u>		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
CAREER AND POSTSECONDARY EDUCATION				
RECEIPTS				
Tuition	\$ 100,429	55,228	75,000	(19,772)
Federal vocational grant	33,740	40,236	38,328	1,908
Other	2,214	3,981	8,000	(4,019)
Transfer from				
General	2,931	1,080,902	1,157,045	(76,143)
Supplemental General	1,292,781	330,625	-	330,625
Total receipts	<u>1,432,095</u>	<u>1,510,972</u>	<u>1,278,373</u>	<u>232,599</u>
EXPENDITURES				
Instruction	1,239,259	1,278,590	1,353,391	(74,801)
Instructional staff support	55,635	49,609	81,268	(31,659)
Student support services	1,333	2,429	2,618	(189)
School administration	96,818	106,647	100,493	6,154
Operations and maintenance	32,900	34,043	43,000	(8,957)
Other support services	7,764	7,929	7,769	160
Total expenditures	<u>1,433,709</u>	<u>1,479,247</u>	<u>1,588,539</u>	<u>(109,292)</u>
Receipts over (under) expenditures	(1,614)	31,725		
UNENCUMBERED CASH, beginning	<u>311,780</u>	<u>310,166</u>		
UNENCUMBERED CASH, ending	<u>\$ 310,166</u>	<u>341,891</u>		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over Under (Under)
		Actual	Budget	
KPERS EMPLOYER CONTRIBUTION				
RECEIPTS				
State aid	\$ 3,133,393	1,695,323	4,178,379	(2,483,056)
EXPENDITURES				
Instruction	2,039,839	1,118,914	2,757,901	(1,638,987)
Student support services	273,545	137,660	339,114	(201,454)
Instructional support services	139,123	71,712	176,538	(104,826)
General administration	62,668	27,464	67,711	(40,247)
School administration	206,491	118,673	292,423	(173,750)
Other supplemental services	59,534	33,737	83,030	(49,293)
Operations and maintenance	175,783	96,294	237,457	(141,163)
Student transportation services	73,635	37,297	91,987	(54,690)
Food service operations	86,168	45,265	111,675	(66,410)
Community service operations	16,607	8,307	20,543	(12,236)
Total expenditures	3,133,393	1,695,323	4,178,379	(2,483,056)
Receipts over (under) expenditures	-	-	-	-
UNENCUMBERED CASH, beginning	-	-	-	-
UNENCUMBERED CASH, ending	\$ -	-	-	-

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
RECREATION COMMISSION				
RECEIPTS				
Tax in process	\$ 10,168	26,712	26,128	584
Current tax	1,154,847	1,187,269	1,131,302	55,967
Delinquent tax	16,770	38,506	18,112	20,394
Motor vehicle tax	145,111	159,274	145,767	13,507
Total receipts	1,326,896	1,411,761	1,321,309	90,452
EXPENDITURES				
Appropriation to Recreation Commission	1,352,000	1,368,000	1,368,000	-
Receipts over (under) expenditures	(25,104)	43,761		
UNENCUMBERED CASH, beginning	75,781	50,677		
UNENCUMBERED CASH, ending	\$ 50,677	94,438		
RECREATION COMMISSION EMPLOYEE BENEFITS				
RECEIPTS				
Tax in process	\$ 2,459	5,536	5,297	239
Current tax	241,973	260,587	248,224	12,363
Delinquent tax	3,899	8,698	3,792	4,906
Motor vehicle tax	34,848	35,103	32,322	2,781
Total receipts	283,179	309,924	289,635	20,289
EXPENDITURES				
Appropriation to Recreation Commission	299,000	300,000	300,000	-
Receipts over (under) expenditures	(15,821)	9,924		
UNENCUMBERED CASH, beginning	26,584	10,763		
UNENCUMBERED CASH, ending	\$ 10,763	20,687		

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	<u>2018</u>	<u>2019</u>
CONTINGENCY RESERVE		
RECEIPTS	\$ -	-
EXPENDITURES	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	-	-
UNENCUMBERED CASH, beginning	<u>1,300,000</u>	<u>1,300,000</u>
UNENCUMBERED CASH, ending	<u>\$ 1,300,000</u>	<u>1,300,000</u>
 TEXTBOOK AND MATERIAL REVOLVING		
RECEIPTS		
Fees and other	\$ 178,977	184,827
Transfer from General	<u>-</u>	<u>20,000</u>
Total receipts	178,977	204,827
EXPENDITURES		
Instruction	<u>184,466</u>	<u>308,950</u>
Receipts over (under) expenditures	(5,489)	(104,123)
UNENCUMBERED CASH, beginning	<u>464,262</u>	<u>458,773</u>
UNENCUMBERED CASH, ending	<u>\$ 458,773</u>	<u>354,650</u>

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	<u>2018</u>	<u>2019</u>
EMPLOYER FIXED CHARGES		
RECEIPTS	\$ 177,258	192,478
EXPENDITURES		
Workers Compensation Insurance	<u>177,258</u>	<u>192,478</u>
Receipts over (under) expenditures	-	-
UNENCUMBERED CASH, beginning	<u>-</u>	<u>-</u>
UNENCUMBERED CASH, ending	<u><u>\$ -</u></u>	<u><u>-</u></u>

Unified School District No. 373

Special Purpose Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Current Year							Total
	Prior Year Total	Title I	Title II Quality & Technology	Title III Eng. Lang. Acquisition	Title IV, A Student Support & Academic Enrichment	Head Start	After School Enhance	
FEDERAL AND STATE GRANT PROGRAMS								
RECEIPTS								
Federal and state aid	\$ 1,691,510	649,895	116,187	17,607	43,074	957,834	8,930	1,793,527
Transfer from Title IV	-	10,000	10,000	-	-	-	-	20,000
Total receipts	<u>1,691,510</u>	<u>659,895</u>	<u>126,187</u>	<u>17,607</u>	<u>43,074</u>	<u>957,834</u>	<u>8,930</u>	<u>1,813,527</u>
EXPENDITURES								
Instruction	1,138,939	590,465	837	17,607	28,699	523,414	8,930	1,169,952
Student support services	168,112	-	-	-	-	151,340	-	151,340
Instructional support staff	132,345	67,156	112,362	-	-	5,336	-	184,854
School administration	88,311	-	-	-	-	94,231	-	94,231
Other support services	34,241	-	-	-	-	35,304	-	35,304
Operations and maintenance	-	-	-	-	-	19,979	-	19,979
Student transportation	96,347	-	-	-	-	104,122	-	104,122
Food service	41,897	-	-	-	-	45,477	-	45,477
Transfer to other funds	-	-	-	-	20,000	-	-	20,000
Total expenditures	<u>1,700,192</u>	<u>657,621</u>	<u>113,199</u>	<u>17,607</u>	<u>48,699</u>	<u>979,203</u>	<u>8,930</u>	<u>1,825,259</u>
Receipts over (under) expenditures	(8,682)	2,274	12,988	-	(5,625)	(21,369)	-	(11,732)
UNENCUMBERED CASH, beginning	(7,402)	(13,888)	-	-	-	(2,196)	-	(16,084)
UNENCUMBERED CASH, ending	<u>\$ (16,084)</u>	<u>(11,614)</u>	<u>12,988</u>	<u>-</u>	<u>(5,625)</u>	<u>(23,565)</u>	<u>-</u>	<u>(27,816)</u>

Unified School District No. 373

Bond and Interest Funds

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
BOND AND INTEREST				
RECEIPTS				
Tax in process	\$ 16,469	39,463	38,265	1,198
Current tax	1,718,982	1,825,317	1,739,246	86,071
Delinquent tax	29,204	62,731	26,949	35,782
Motor vehicle tax	246,676	244,152	224,259	19,893
Interest	-	16,390	-	16,390
State aid	2,074,885	2,149,396	2,149,395	1
Other	-	6	-	6
Total receipts	<u>4,086,216</u>	<u>4,337,455</u>	<u>4,178,114</u>	<u>159,341</u>
EXPENDITURES				
Principal	3,025,000	3,190,000	3,190,000	-
Interest	965,163	865,463	865,463	-
Other	-	-	500	(500)
Total expenditures	<u>3,990,163</u>	<u>4,055,463</u>	<u>4,055,963</u>	<u>(500)</u>
Receipts over (under) expenditures	96,053	281,992		
UNENCUMBERED CASH, beginning	<u>3,653,066</u>	<u>3,749,119</u>		
UNENCUMBERED CASH, ending	<u>\$ 3,749,119</u>	<u>4,031,111</u>		

Unified School District No. 373

Bond and Interest FundsSCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	<u>2018</u>	<u>2019</u>
BOND REDEMPTION		
RECEIPTS		
Bond Proceeds	\$ 5,000,000	-
Reoffering Premium	<u>158,524</u>	-
Total receipts	<u>5,158,524</u>	-
EXPENDITURES		
Redemption payments of 2007 bonds	5,080,000	-
Underwriter's discount	44,500	-
Cost of issuance	<u>15,689</u>	<u>15,890</u>
Total expenditures	<u>5,140,189</u>	<u>15,890</u>
Receipts over (under) expenditures	18,335	(15,890)
UNENCUMBERED CASH, beginning	<u>-</u>	<u>18,335</u>
UNENCUMBERED CASH, ending	<u>\$ 18,335</u>	<u>2,445</u>

Unified School District No. 373

Agency Funds

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

Regulatory Basis

For the Year Ended June 30, 2019

STUDENT ORGANIZATIONS	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Newton High School				
Class of 2017	\$ 1,377	9,965	9,996	1,346
AD Food Club-Food 4 Life	3,133	-	-	3,133
Art Club	820	1,094	1,172	742
Auto Mechanics	28	-	-	28
Auto Mechanics VICA	1,498	1,580	25	3,053
Azteca	1,426	1,080	1,758	748
Azteca Dance Troupe	243	1,481	1,198	526
Broadcasting	440	-	-	440
Brothers & Sisters For Life	31	-	-	31
BTC Weld VICA	1,736	1,815	1,981	1,570
Business Professionals of America	1,900	14,770	14,356	2,314
BPA Printing-Railer Ink	531	277	551	257
BPA Train Stop Store	402	-	-	402
Cheerleaders Special	2,956	15,949	18,594	311
Chemistry/Physics	508	229	177	560
CTE Scholarships	500	-	-	500
Debate	1,728	604	1,999	333
D.E.C.A.	4,276	8,069	6,890	5,455
EPC Greenhouse	483	-	-	483
ELP Contests	6	214	72	148
F.C.A.	214	-	-	214
F.E.A.	131	-	-	131
F.F.A.	13,898	17,909	21,132	10,675
F.F.A. Vending	7,115	735	1,078	6,772
F.C.C.L.A.	330	2,170	2,390	110
Forensics	3,298	2,843	2,425	3,716
French Club	31	264	295	-
French Club Honor Society	97	307	322	82
German Club	614	1,468	1,899	183
German Club Honor Society	-	451	451	-
G.S.A.	80	-	-	80
Hall of Fame	6,948	-	527	6,421
HIRE-Helping Individual Reach	45	-	-	45

Unified School District No. 373

Agency Funds

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

Regulatory Basis

For the Year Ended June 30, 2019

	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
STUDENT ORGANIZATIONS (Continued)				
SOSO-Student Owned Student	\$ 27	-	-	27
Hobby Club	323	-	-	323
H.O.S.A.	14	947	873	88
Job for Americas' Graduates	67	50	-	117
Jazz Club	5,253	2,795	6,233	1,815
Laser Works-Markit	2,550	5,126	5,088	2,588
Law Enforcement (LERO)	61	2,540	608	1,993
M & M Railer Embroidery	462	610	280	792
Model U.N.	74	-	-	74
Multi-Racial Students Racial Justice	1,069	409	450	1,028
National Honor Society	367	1,148	1,050	465
Nutrition Advisory Council	48	-	-	48
OFACS	4	-	-	4
Project Lead the Way	-	914	914	-
Railer Ambassadors	880	19	1	898
Railer Connections	-	-	-	-
Railer Designs	105	-	-	105
Railiners Special	1,202	11,338	6,240	6,300
Railrooters/Do Crew Pep Club	1,682	870	984	1,568
Rotary Interact Club	1,113	-	-	1,113
SCABS	133	-	-	133
Scholars Bowl	513	1,380	1,058	835
Spanish Club	38	236	274	-
Spanish Club Honor Society	44	175	200	19
Student Council	5,718	7,346	7,185	5,879
Student Athlete Letter Jacket/PFP	266	-	172	94
Student Incentives/Rewards	-	1,110	704	406
Thespians	42	4,121	4,126	37
Tri-M Society	382	442	609	215
V.I.C.A. Machine	751	456	1,195	12
WE	1,345	1,760	2,771	334
We Can	276	1,026	949	353
Young Entrepreneurs of Kansas	407	341	341	407
Weight Room Equipment	170	-	-	170
	<u>82,209</u>	<u>128,433</u>	<u>131,593</u>	<u>79,049</u>

Unified School District No. 373

Agency Funds

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

Regulatory Basis

For the Year Ended June 30, 2019

	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
STUDENT ORGANIZATIONS (Continued)				
Santa Fe Middle School				
Book fair	\$ 39	-	-	39
Yearbook	2	-	-	2
	<u>41</u>	<u>-</u>	<u>-</u>	<u>41</u>
Chisholm Middle School				
Book fair	13	647	647	13
Yearbook	577	3,897	3,504	970
Student Council	2,589	6,571	7,911	1,249
Social	602	-	-	602
	<u>3,781</u>	<u>11,115</u>	<u>12,062</u>	<u>2,834</u>
Total Student Organizations	<u>86,031</u>	<u>139,548</u>	<u>143,655</u>	<u>81,924</u>
High School Activity Sales Tax	-	18,528	18,528	-
Pension Trust	-	582,785	580,386	2,399
Gift Funds	<u>315,869</u>	<u>140,494</u>	<u>121,207</u>	<u>335,156</u>
Total Agency Funds	<u>\$ 401,900</u>	<u>881,355</u>	<u>863,776</u>	<u>419,479</u>

Unified School District No. 373

District Activity FundsSCHEDULE OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis

For the Year Ended June 30, 2019

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
ACTIVITY GATE RECEIPTS						
Newton High School	\$ 81,400	298,427	300,872	78,955	-	78,955
SCHOOL PROJECTS						
Santa Fe Middle School						
Miscellaneous	3,304	471	-	3,775	-	3,775
Chisholm Middle School						
Pencil Machine	356	40	-	396	-	396
Pride Squad	1,172	-	580	592	-	592
Concessions	4,897	6,003	6,324	4,576	-	4,576
Miscellaneous	540	2,613	2,643	510	-	510
Newton High School						
Fund Raising	1,325	6,573	6,234	1,664	-	1,664
Staff Issues	63	-	-	63	-	63
American Red Cross Donations	11	-	-	11	-	11
Art Booster	421	400	32	789	-	789
Band Booster	878	400	295	983	-	983
Drama Booster	408	400	-	808	-	808
Orchestra Booster	3,065	400	-	3,465	-	3,465
Vocal Booster	1,735	400	1,335	800	-	800
Concessions	3,376	42,133	37,543	7,966	-	7,966
Faculty Flower	250	130	203	177	-	177
FABC Supplemental	969	-	-	969	-	969
State Assessment	224	-	-	224	-	224
Milk Vending	5,264	7,856	8,393	4,727	-	4,727
Fine Arts Technology Special	237	-	-	237	-	237
Special Revolving Accounts	213	18,698	19,748	(837)	-	(837)
Total school projects	28,708	86,517	83,330	31,895	-	31,895
Total District Activity Funds	\$ 110,108	384,944	384,202	110,850	-	110,850

UNIFIED SCHOOL DISTRICT NO. 373
OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

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. 373
Newton, Kansas

We have audited, in accordance with the 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, and the *Kansas Municipal Audit and Accounting Guide*, the financial statement of Unified School District No. 373, Newton, Kansas (District), as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the District's basic financial statement and have issued our report thereon dated November 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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 opinion on the financial statement, 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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statement 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statement is free from 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 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 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Krudsen, Monroe & Company, LLC

Certified Public Accountants

Newton, Kansas

November 21, 2019

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

Board of Education
Unified School District No. 373
Newton, Kansas

Report on Compliance for Each Major Federal Program

We have audited Unified School District No. 373, Newton, Kansas' (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, 2019. 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 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 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, 2019.

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Krudsen, Monroe & Company, LLC

Certified Public Accountants
Newton, Kansas
November 21, 2019

Unified School District No. 373
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kansas Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	D0373	\$ 191,127
National School Lunch Program	10.555	D0373	862,581
Summer Food Service Program for Children	10.559	D0373	<u>32,510</u>
Total Child Nutrition Cluster			<u>1,086,218</u>
Total U.S. Department of Agriculture			<u>1,086,218</u>
<u>U.S. Department of Education</u>			
Passed through Kansas Department of Education			
Special Education Cluster (IDEA)			
Special Education, Grants to States, IDEA Part B	84.027	D0373	1,034,268
Special Education, Grants to States, Incentive Grant	84.027	D0373	<u>39,178</u>
Total for program			1,073,446
Special Education, Preschool Grants	84.173	D0373	<u>35,614</u>
Total Special Education Cluster (IDEA)			1,109,060
Career and Technical Education - Carl Perkins Vocational Education	84.048	D0373	47,711
Title I, Grants to Local Educational Agencies	84.010	D0373	657,621
Title II-A - Improving Teacher Quality	84.367	D0373	113,199
Title III - English Language Acquisition	84.365	D0373	17,607
Title IID - Tech Fund	84.424	D0373	48,699
Passed through Kansas Department of Health & Environment:			
Grants for Infant & Families	84.181	D0373	<u>102,540</u>
Total U.S. Department of Education			<u>2,096,437</u>
<u>U.S. Department of Health and Human Services</u>			
Head Start	93.600		979,203
Passed through Kansas Department of Education			
Temporary Assistance for Needy Families	93.558	D0373	<u>84,361</u>
Total U.S. Department of Health and Human Services			<u>1,063,564</u>
Total Expenditures of Federal Awards			<u>\$ 4,246,219</u>

Unified School District No. 373

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Unified School District No. 373, Newton, Kansas (District) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District. The Schedule is presented using a regulatory basis of accounting prescribed by the *Kansas Municipal Audit and Accounting Guide* (as described in Note 1 to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the regulatory basis of accounting described in Note 1 to the District's financial statement. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. INDIRECT COST RATE

The District has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Unified School District No. 373
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified (Regulatory Basis) Adverse - GAAP
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes <u> X </u> None reported
Noncompliance material to financial statement 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 Uniform Guidance	___ Yes <u> X </u> No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027. 84.173	Special Education Cluster
84.010	Title I, Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	___ Yes <u> X </u> No

Section II - Financial Statement Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted