

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

Regulatory Basis Financial Statement and
Independent Auditors' Report with
Regulatory Required Supplemental Information

For the Fiscal Year Ended June 30, 2019

**BAXTER SPRINGS UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

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BAXTER SPRINGS, KANSAS

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Diehl Banwart Bolton

Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Unified School District #508
Baxter Springs, Kansas 66713

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash - regulatory basis, of the Unified School District #508(District), Baxter Springs, Kansas, as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; 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 applicable audit requirements of 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.

Board of Education
Unified School District #508
Baxter Springs, Kansas

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the District 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 fiscal 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 fiscal year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the June 30, 2019 summary statement of receipts, expenditures, and unencumbered cash – regulatory basis (financial statement) as a whole. The summary of expenditures – actual and budget – regulatory basis, individual fund schedules of receipts and expenditures – actual and budget – regulatory basis, schedule of receipts and disbursements – agency funds – regulatory basis and schedule of receipts, expenditures, and unencumbered cash – district activity funds – regulatory basis (Schedules 1, 2, 3, and 4 as listed in the table of contents), are presented for purposes of additional analysis and are not a required part of the June 30, 2019 financial statement, however they are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2019 financial statement. The June 30, 2019 information has been subjected to the auditing procedures applied in the audit of the June 30, 2019 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the June 30, 2019 financial statement or to the June 30, 2019 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2019 required supplementary information is fairly stated in all material respects in relation to the June 30, 2019 financial statement as a whole, on the basis of accounting described in Note 1.

Board of Education
Unified School District #508
Baxter Springs, Kansas

The prior year actual column presented in the individual fund schedules of receipts and expenditures – actual and budget – regulatory basis (Schedule 2 as listed in the table of contents), are also presented for comparative analysis and are not a required part of the prior year financial statement upon which we rendered an unmodified opinion dated February 8, 2019. The June 30, 2018 financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://admin.ks.gov/offices/oar/municipal-services>. Such prior year comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2018 financial statement. The prior year comparative information was subjected to the auditing procedures applied in the audit of the June 30, 2018 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the June 30, 2018 financial statement or to the June 30, 2018 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the prior year comparative information is fairly stated in all material respects in relation to the June 30, 2018 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 February 20, 2020 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Diehl, Banwart, Bolton CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

February 20, 2020
Pittsburg, Kansas

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Fiscal Year Ended June 30, 2019

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:							
General	\$ 22	\$ -	\$ 7,868,501	\$ 7,868,520	\$ 3	\$ -	\$ 3
Supplemental General	171,068	-	2,266,175	2,373,599	63,644	-	63,644
Special Purpose Funds:							
4 Yr Old At Risk	2,619	-	100,609	103,229	-	-	-
K-12 At Risk	41,517	-	1,607,641	1,649,158	-	-	-
Bilingual Education	527	-	29,347	29,874	-	-	-
Virtual Education	100	-	113,594	113,694	-	-	-
Capital Outlay	603,169	-	534,548	525,047	612,670	-	612,670
Driver Education	6,547	-	11,743	11,795	6,495	-	6,495
Food Service	181,492	-	474,629	528,708	127,412	-	127,412
Professional Development	6,534	-	9,703	16,237	-	-	-
Special Education	223,628	-	1,420,359	1,521,369	122,618	-	122,618
Vocational Education	5,454	-	328,818	334,272	-	-	-
KPERs Special Education	-	-	619,163	619,163	-	-	-
Contingency Reserve	287,776	-	-	-	287,776	-	287,776
Student Materials	63,327	-	10,714	47,041	27,000	-	27,000
Title II	-	-	44,760	44,760	-	-	-
Title I	-	-	264,128	264,128	-	-	-
ESOL	-	-	-	-	-	-	-
Kansas Reading Roadmap	(19,579)	-	153,413	186,189	(52,355)	-	(52,355)
Education	15,981	-	-	-	15,981	-	15,981
Special Grants	123,194	-	54,260	92,744	84,710	29,828	114,538
Abernathy Trust	-	-	-	-	-	-	-
District Activity	9,137	-	206,243	206,287	9,092	28	9,120
Bond and Interest Fund	588,499	-	640,328	498,775	730,052	-	730,052
Trust Funds:							
Taylor Scholarship	172,403	-	1,297	-	173,700	-	173,700
Hartzell Scholarship	-	-	-	-	-	-	-
Total Entity (Excluding Agency Funds)	<u>\$ 2,483,414</u>	<u>\$ -</u>	<u>\$ 16,759,972</u>	<u>\$ 17,034,588</u>	<u>\$ 2,208,798</u>	<u>\$ 29,856</u>	<u>\$ 2,238,654</u>

Composition of Cash	
District Checking Accounts.....	2,053,182
Activity Checking Accounts.....	92,984
Petty Cash.....	2,500
Certificates of Deposit.....	173,700
Savings Account.....	-
Kansas Municipal Investment Pool.....	152
Total Cash	<u>2,322,518</u>
Agency Funds per Schedule 3	<u>(83,864)</u>
Total Reporting Entity	<u><u>2,238,654</u></u>

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

BAXTER SPRINGS UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS

NOTES TO THE FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of Unified School District #508, Baxter Springs, Kansas (District), has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The District is a municipal corporation governed by an elected seven-member board. This financial statement presents USD #508 (the primary government). The District has developed criteria to determine whether outside agencies, with activities which benefit the members of the District, should be included within its financial reporting entity. This criteria include but are not limited to, whether the District exercises financial accountability, selection of governing authority, designation of management, ability to significantly influence operations, scope of public service and special financing relationships. Based on the above criteria, the District has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a related municipal entity in this financial statement.

Basis of Presentation - Fund Accounting

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

The following types of funds comprise the financial activities of the District:

REGULATORY BASIS FUND TYPES

General Fund – to account for all unrestricted resources except those required to be accounted for in another fund.

Special Purpose Funds – to account for the proceeds of specific tax levies and other specific revenue sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.

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

Capital Project Funds – to account for debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

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

Basis of Presentation - Fund Accounting - (continued)

REGULATORY BASIS FUNDS - (Continued)

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (ie. Pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

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

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

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), and bond and interest fund 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 fiscal year on or before August 1.
2. Publication in the local newspaper of the proposed budget and a notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after the publication of a notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments during the fiscal year ended June 30, 2019. The budgeted expenditures in the General Fund and Supplemental General Fund were reduced to comply with the statutory budget maximum based upon enrollment.

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

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

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments of 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, trust funds and the following special purpose funds (Contingency Reserve, Student Materials, Title II, Title I, Kansas Reading Roadmap, Education, Special Grants, Abernathy Trust, District Activity and Scholarship Funds). Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

Compensated Absences

Full time employees receive twelve days of sick leave at the beginning of the school year. An employee may accumulate up to 58 days of sick leave. Upon KPERs retirement or death of the employee, the District pays \$70 per day of accumulated unused sick leave. In addition, at the end of the year, employees are paid \$70 per day for their accumulated days in excess of 58 days.

Full time, twelve-month employees accrue 20 days of vacation each year on June 30, which is to be taken within twelve months after year end.

The District determines a liability for compensated absences when the following conditions are met:

1. The District's obligation relating to the employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and is material to the financial statements.

In accordance with the above criteria, the District has not accrued a liability for sick pay or vacation pay.

Property Taxes

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

The financial statement and the regulatory required supplemental schedules have been prepared in order to show compliance with the cash basis and budget laws of Kansas. The negative cash balance in the Kansas Reading Roadmap Fund is not a cash basis violation as the amounts will be reimbursed. As shown in the attached regulatory required supplemental information, there were no other apparent violations with the cash basis and budget laws of Kansas.

3. CASH IN BANK AND DEPOSITORY SECURITY

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

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

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

INVESTMENTS	PERCENTAGE OF INVESTMENTS
Kansas Municipal Investment Pool	100%

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State statutes require the District’s deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated “peak periods” when required coverage is 50%. All deposits were legally secured at June 30, 2019.

At June 30, 2019 the District’s carrying amount of deposits was \$2,322,366 and the bank balance was \$2,946,282. The bank balance was held by two banks resulting in limited diversification of credit risk. Of the bank balance, \$277,127 was covered by federal depository insurance, and \$2,669,155 was collateralized with securities held by the pledging financial institutions’ agents in the District’s name with a market value of \$3,525,333.

The District’s only investment is in the Kansas Municipal Investment Pool. The details are shown below:

Investment Type	Maturity	Fair Value	Rating
Kansas Municipal Investment Pool	Less than 1 year	\$ 152	S&P AAA+f/S1+

4. **IN-SUBSTANCE RECEIPT IN TRANSIT**

The District received \$519,097 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.

5. **PENSION PLAN**

General Information about the Pension Plan

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

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 16.38 % and 12.01% respectively, for the fiscal year ended June 30, 2018. The actuarially determined employer contribution rate and the 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 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.

5. **PENSION PLAN** (Continued)

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 \$619,163 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 \$8,413,665. The net pension liability was measured as of June 30, 2018 and the total net 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 these financial statements.

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

6. **POST EMPLOYMENT BENEFITS**

Retirement

A professional certified employee is eligible for early retirement if such person is eligible for retirement under KPERS. The amount of the benefit is \$200 per year of service to the District and it is paid in a lump sum. In addition, employees that retired during the years ending June 30, 2015, and June 30, 2019 with 15 years experience in the District can receive up to 5 years of health insurance benefits.

Participation in Group Health Insurance Plan

As provided by K.S. A. 12-5040, retired employees are eligible to participate in the District's group health insurance plan until they have reached the age of 65. While each retiree may pay the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

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

7. **RISK MANAGEMENT/CONTINGENCY**

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

8. TRANSFERS

Operating transfers are routinely made from the General and Supplemental General Funds to other funds as allowed by Kansas Statutes. Operating transfers were as follows:

FROM	TO	STATUTORY AUTHORITY	AMOUNT
General	Special Education	K.S.A. 72-5162	\$ 1,144,958
General	K-12 At Risk	K.S.A. 72-5153	193,885
General	Vocational Education	K.S.A. 72-1179	21,434
Supplemental General	Special Education	K.S.A. 72-5162	210,478
Supplemental General	K-12 At Risk	K.S.A. 72-5153	1,413,786
Supplemental General	4 Year Old At Risk	K.S.A. 72-5154	100,609
Supplemental General	Vocational Education	K.S.A. 72-1179	304,359
Supplemental General	Professional Development	K.S.A. 72-4165	9,703
Supplemental General	Virtual Education	K.S.A. 72-53,115	113,594
Supplemental General	Bilingual Education	K.S.A. 72-3613	29,347

9. SUBSEQUENT EVENT

Management has evaluated events and transactions occurring subsequent to June 30, 2019 through February 20, 2020, the date the financial statement was available for issue. On July 15, 2019, the District executed a capital lease for the purchase of computer equipment valued at \$143,606. The required payments under this lease are included in the Note 10 details. During this period, there were no other subsequent events requiring recognition in the financial statement or disclosure in the notes to the financial statement.

10. LONG TERM OBLIGATIONS

Details about the District's long-term obligations, changes in long term debt, and scheduled maturities for the next five years and thereafter are as follows:

Schedule of Changes in Long Term Obligations for the Year Ended June 30, 2019

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balances Beginning of Year</u>	<u>Additions / New Debt</u>	<u>Reductions / Principal Paid</u>	<u>Balances End of Year</u>	<u>Interest Paid</u>
<u>General Obligation Bonds</u>									
Refunding Series 2016	2.0-3.0%	9/7/2016	6,510,000	9/1/2032	<u>\$ 6,510,000</u>	<u>\$ -</u>	<u>\$ 330,000</u>	<u>\$ 6,180,000</u>	<u>\$ 168,775</u>
Total Obligation Bonds					<u>6,510,000</u>	<u>-</u>	<u>330,000</u>	<u>6,180,000</u>	<u>168,775</u>
<u>Capital Leases</u>									
QZAB Bond	0.00%	11/4/2013	1,500,000	10/11/2023	900,000	-	150,000	750,000	-
School Buses	3.00%	8/1/2014	922,207	8/1/2019	18,988	-	18,988	-	577
Ball Field Lights	3.75%	12/1/2014	319,000	12/1/2024	235,468	-	29,990	205,478	8,959
School Buses	4.05%	8/1/2016	65,000	8/15/2021	<u>39,017</u>	<u>-</u>	<u>12,483</u>	<u>26,534</u>	<u>1,611</u>
Total Capital Leases					<u>1,193,473</u>	<u>-</u>	<u>211,461</u>	<u>982,012</u>	<u>11,147</u>
Total Long Term Debt					<u>\$ 7,703,473</u>	<u>\$ -</u>	<u>\$ 541,461</u>	<u>\$ 7,162,012</u>	<u>\$ 179,922</u>

10. LONG TERM OBLIGATIONS (Continued)

Schedule of Maturities for the Years Ended June 30, 2019

10. LONG TERM OBLIGATIONS (Continued)

Fiscal Years Ending June 30,	2020	2021	2022	2023	2024	2025 2029	2030 2035	Totals
<u>Principal</u>								
General Obligation Bonds								
Refunding Series 2016 (A)	\$335,000	\$350,000	\$365,000	\$375,000	\$400,000	\$2,245,000	\$2,110,000	\$6,180,000
Total Obligation Bonds	<u>335,000</u>	<u>350,000</u>	<u>365,000</u>	<u>375,000</u>	<u>400,000</u>	<u>2,245,000</u>	<u>2,110,000</u>	<u>6,180,000</u>
Capital Leases								
QZAB Bond	150,000	150,000	150,000	150,000	150,000	-	-	750,000
Apple Computers (See Note 9)	72,511	71,095	-	-	-	-	-	143,606
School Buses	-	-	-	-	-	-	-	-
Ball Field Lights	31,131	32,315	33,545	34,821	36,146	37,521	-	205,479
School Buses (B)	<u>12,999</u>	<u>13,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,533</u>
Total Capital Leases	<u>266,641</u>	<u>266,944</u>	<u>183,545</u>	<u>184,821</u>	<u>186,146</u>	<u>37,521</u>	<u>-</u>	<u>1,125,618</u>
Total Principal	<u>\$601,641</u>	<u>\$616,944</u>	<u>\$548,545</u>	<u>\$559,821</u>	<u>\$586,146</u>	<u>\$2,282,521</u>	<u>\$2,110,000</u>	<u>\$7,305,618</u>
<u>Interest</u>								
General Obligation Bonds								
Refunding Series 2016 (A)	<u>162,125</u>	<u>155,275</u>	<u>146,300</u>	\$135,200	\$123,575	\$427,150	\$121,263	1,270,888
Total Capital Leases	<u>162,125</u>	<u>155,275</u>	<u>146,300</u>	<u>135,200</u>	<u>123,575</u>	<u>427,150</u>	<u>121,263</u>	<u>1,270,888</u>
Capital Leases								
QZAB Bond	-	-	-	-	-	-	-	-
Apple Computers	-	1,415	-	-	-	-	-	1,415
Ball Field Lights	7,818	6,634	5,404	4,128	2,803	1,428	-	28,215
School Buses (B)	<u>1,096</u>	<u>561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,657</u>
Total Capital Leases	<u>8,914</u>	<u>8,610</u>	<u>5,404</u>	<u>4,128</u>	<u>2,803</u>	<u>1,428</u>	<u>-</u>	<u>31,287</u>
Total Interest	<u>\$171,039</u>	<u>\$163,885</u>	<u>\$151,704</u>	<u>\$139,328</u>	<u>\$126,378</u>	<u>\$428,578</u>	<u>\$121,263</u>	<u>\$1,302,175</u>
Total Principal and Interest	<u>\$772,680</u>	<u>\$780,829</u>	<u>\$700,249</u>	<u>\$699,149</u>	<u>\$712,524</u>	<u>\$2,711,099</u>	<u>\$2,231,263</u>	<u>\$8,607,793</u>

**REGULATORY – REQUIRED
SUPPLEMENTAL INFORMATION**

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

Schedule of Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2019

Funds	Certified Budget	Adjustment to Comply with Legal Maximum	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General Funds:						
General	\$ 7,762,549	\$ (208,566)	\$ 314,539	\$ 7,868,522	\$ 7,868,520	\$ (2)
Supplemental General	2,433,990	(60,391)	-	2,373,599	2,373,599	-
Special Purpose Funds:						
4 Yr Old At Risk	103,319	-	-	103,319	103,229	(90)
K-12 At Risk	1,671,766	-	-	1,671,766	1,649,158	(22,608)
Bilingual Education	31,810	-	-	31,810	29,874	(1,936)
Virtual Education	122,290	-	-	122,290	113,694	(8,596)
Capital Outlay	988,156	-	-	988,156	525,047	(463,109)
Driver Education	17,787	-	-	17,787	11,795	(5,992)
Food Service	686,440	-	-	686,440	528,708	(157,732)
Professional Development	17,200	-	-	17,200	16,237	(963)
Special Education	1,644,631	-	-	1,644,631	1,521,369	(123,262)
Vocational Education	336,067	-	-	336,067	334,272	(1,795)
KPERS Special Retirement	974,387	-	-	974,387	619,163	(355,224)
Bond and Interest Fund	498,785	-	-	498,785	498,775	(10)
	<u>17,289,177</u>					

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ -	\$ -	\$ -	\$ -
Delinquent tax	-	-	-	-
Mineral tax	-	-	-	-
Reimbursement	283,208	314,539	-	314,539
Interest	-	-	-	-
State Sources				
General aid	6,485,583	6,539,056	6,687,301	(148,245)
Supplemental general aid	-	-	-	-
Special education aid	1,000,814	1,014,906	1,075,226	(60,320)
Capital outlay aid	-	-	-	-
KPERS aid	-	-	-	-
Federal Sources				
Education Jobs Fund	-	-	-	-
Total Cash Receipts	<u>7,769,605</u>	<u>7,868,501</u>	<u>\$ 7,762,527</u>	<u>\$ 105,974</u>
Expenditures				
Instruction	2,973,062	2,976,971	\$ 2,985,604	\$ (8,633)
Support Services				
Student Support	138,328	165,171	142,502	22,669
Instructional Support	438,031	400,683	463,500	(62,817)
General Administration	550,354	554,187	524,005	30,182
School Administration	843,668	858,406	861,665	(3,259)
Operations and Maintenance	1,283,922	1,228,149	1,259,700	(31,551)
Transportation	219,501	228,596	224,275	4,321
Central Services	91,068	96,110	92,500	3,610
Operating transfers to Other Funds				
Bilingual Education	8,350	-	23,981	(23,981)
4 Yr Old At Risk	-	-	-	-
K-12 At Risk	41,465	193,855	-	193,855
Food Service	60,968	-	-	-
Vocational Education	44,037	21,434	44,050	(22,616)
Capital Outlay	-	-	-	-
Drivers Education	5,262	-	2,000	(2,000)
Special Education	1,047,947	1,144,958	1,075,226	69,732
Virtual Education	-	-	57,554	(57,554)
Professional Development	-	-	5,987	(5,987)
Student Materials	23,642	-	-	-
Adjustments to Budget				
Adjustment to Comply with Legal Maximum Budget	-	-	(208,566)	208,566
Adjustment for Reimbursed Expenses	-	-	314,539	(314,539)
Total Expenditures Subject to Budget	<u>7,769,605</u>	<u>7,868,520</u>	<u>\$ 7,868,522</u>	<u>\$ (2)</u>
Receipts Over (Under) Expenditures	-	(19)		
Unencumbered Cash, Beginning	22	22		
Cancelled Prior Year Encumbrance	-	-		
Unencumbered Cash, Ending	<u>\$ 22</u>	<u>\$ 3</u>		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
SUPPLEMENTAL GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 520,913	\$ 306,048	\$ 278,794	\$ 27,254
Delinquent tax	53,623	19,143	13,045	6,098
Motor vehicle tax	64,925	72,724	55,289	17,435
Other	-	-	-	-
State Sources				
Supplemental aid	1,915,935	1,868,260	1,915,794	3,784,054
Operating Transfers from Other Funds				
General fund	-	-	-	-
Total Cash Receipts	<u>2,555,396</u>	<u>2,266,175</u>	<u>\$ 2,262,922</u>	<u>\$ 3,834,841</u>
Expenditures				
Instruction	-	191,723	\$ -	\$ 191,723
Support Services				
Student Support	7,613	-	-	-
Instructional Support	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Operations and Maintenance	-	-	-	-
Transportation	-	-	-	-
Other Supplemental Services	-	-	-	-
Operating transfers to Other Funds				
Professional Development	13,348	9,703	-	9,703
Virtual Education	100,106	113,594	64,637	48,957
Bilingual Education	21,657	29,347	7,302	22,045
Special Education	405,342	210,478	345,777	(135,300)
4 Yr Old At Risk	92,446	100,609	100,700	(91)
K-12 At Risk	1,532,600	1,413,786	1,630,250	(216,464)
Vocational Education	267,381	304,359	285,324	19,035
Adjustments to Budget				
Adjustment to Comply with Legal Maximum Budget	-	-	(60,391)	60,391
Total Expenditures Subject to Budget	<u>2,440,493</u>	<u>2,373,599</u>	<u>\$ 2,373,599</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	114,903	(107,424)		
Unencumbered Cash, Beginning	<u>56,165</u>	<u>171,068</u>		
Unencumbered Cash, Ending	<u>\$ 171,068</u>	<u>\$ 63,644</u>		

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
4 YR OLD AT RISK FUND**

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Federal Sources				
Federal aid	\$ 6,960	\$ -	\$ -	\$ -
Operating Transfer from Other Funds				
Supplemental General	92,446	100,609	100,700	
General Fund	-	-	-	-
Total Cash Receipts	99,406	100,609	\$ 100,700	\$ -
Expenditures				
Instruction	96,787	96,269	\$ 103,319	\$ (7,050)
Other Supplemental Services	-	6,960	-	6,960
Total Expenditures Subject to Budget	96,787	103,229	\$ 103,319	\$ (90)
Receipts Over (Under) Expenditures	2,619	(2,619)		
Unencumbered Cash, Beginning	-	2,619		
Unencumbered Cash, Ending	\$ 2,619	\$ -		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
K-12 AT RISK FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Operating Transfer from Other Funds				
Supplemental General Fund	1,532,600	1,413,786	1,630,250	(216,464)
General Fund	41,465	193,855	-	193,855
Total Cash Receipts	1,574,065	1,607,641	\$ 1,630,250	\$ (22,609)
Expenditures				
Instruction	1,602,422	1,649,158	\$ 1,671,766	\$ (22,608)
Operations & Maintenance	-	-	-	-
Total Expenditures Subject to Budget	1,602,422	1,649,158	\$ 1,671,766	\$ (22,608)
Receipts Over (Under) Expenditures	(28,357)	(41,517)		
Unencumbered Cash, Beginning	69,874	41,517		
Unencumbered Cash, Ending	\$ 41,517	\$ -		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
BILINGUAL EDUCATION FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Operating Transfer from Other Funds				
General Fund	8,350	-	23,981	(23,981)
Supplemental General Fund	21,657	29,347	7,302	22,045
Total Cash Receipts	30,007	29,347	\$ 31,283	\$ (1,936)
Expenditures				
Instruction	30,000	29,874	\$ 31,810	\$ (1,936)
Total Expenditures Subject to Budget	30,000	29,874	\$ 31,810	\$ (1,936)
Receipts Over (Under) Expenditures	7	(527)		
Unencumbered Cash, Beginning	520	527		
Unencumbered Cash, Ending	\$ 527	\$ -		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
VIRTUAL EDUCATION

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Operating Transfer from Other Funds				
Supplemental General Fund	100,106	113,594	64,637	48,957
General Fund	-	-	57,554	(57,554)
Total Cash Receipts	100,106	113,594	\$ 122,191	\$ (8,597)
Expenditures				
Instruction	100,006	113,694	\$ 122,290	\$ (8,596)
School Administration	-	-	-	-
Total Expenditures Subject to Budget	100,006	113,694	\$ 122,290	\$ (8,596)
Receipts Over (Under) Expenditures	100	(100)		
Unencumbered Cash, Beginning	-	100		
Unencumbered Cash, Ending	<u>\$ 100</u>	<u>\$ -</u>		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
CAPITAL OUTLAY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 191,400	\$ 204,037	\$ 198,461	\$ 5,576
Delinquent tax	6,650	5,412	4,799	613
Motor vehicle tax	18,574	26,942	20,674	6,268
Interest on idle funds	12,093	15,857	-	15,857
Miscellaneous	34,739	121,725	-	121,725
State Sources				
State Aid	156,144	160,574	161,053	(479)
Operating Transfer from Other Funds				
General Fund	-	-	-	-
	<u>419,600</u>	<u>534,548</u>	<u>\$ 384,987</u>	<u>\$ 149,561</u>
Total Cash Receipts				
Expenditures				
Instruction	43,881	-	\$ 45,000	\$ (45,000)
General Administration	-	4,110	-	4,110
Operations and Maintenance	89,020	299,834	196,800	103,034
Transportation	-	4,755	-	4,755
Central Services	-	-	-	-
Facility Acquisition and Construction	195,857	216,348	746,356	(530,008)
Total Expenditures				
Subject to Budget	<u>328,758</u>	<u>525,047</u>	<u>\$ 988,156</u>	<u>\$ (463,109)</u>
Receipts Over (Under) Expenditures	90,842	9,502		
Unencumbered Cash, Beginning	<u>512,327</u>	<u>603,169</u>		
Unencumbered Cash, Ending	<u>\$ 603,169</u>	<u>\$ 612,670</u>		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
DRIVER EDUCATION FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Other	\$ 130	\$ 130	\$ 140	\$ (10)
State Sources				
State aid	9,856	11,613	9,100	2,513
Operating Transfer from Other Funds				
General Fund	5,262	-	2,000	(2,000)
Supplemental General Fund	-	-	-	-
Total Cash Receipts	15,248	11,743	\$ 11,240	\$ 503
Expenditures				
Instruction	15,248	11,795	\$ 17,787	\$ (5,992)
Support Services				
Transportation	-	-	-	-
Total Expenditures Subject to Budget	15,248	11,795	\$ 17,787	\$ (5,992)
Receipts Over (Under) Expenditures	-	(52)		
Unencumbered Cash, Beginning	6,547	6,547		
Unencumbered Cash, Ending	\$ 6,547	\$ 6,495		

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
FOOD SERVICE FUND**

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Students	\$ 97,739	\$ 90,616	\$ 96,714	\$ (6,098)
Adults	7,540	6,178	17,814	(11,636)
Other	10,019	11,662	-	11,662
State Sources				
State Aid	5,027	4,786	4,447	339
Federal Sources				
Child nutrition aid	372,343	361,387	385,973	(24,586)
Fresh fruits and vegetables aid	-	-	-	-
Operating Transfer from Other Funds				
General Fund	60,968	-	-	-
Supplemental General Fund	-	-	-	-
Total Cash Receipts	553,636	474,629	\$ 504,948	\$ (30,319)
Expenditures				
Support Services				
Operations and Maintenance	553,765	528,708	\$ 686,440	\$ (157,732)
Total Expenditures	553,765	528,708	\$ 686,440	\$ (157,732)
Subject to Budget				
Receipts Over (Under) Expenditures	(129)	(54,079)		
Unencumbered Cash, Beginning	181,621	181,492		
Unencumbered Cash, Ending	\$ 181,492	\$ 127,412		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
PROFESSIONAL DEVELOPMENT FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
State Sources				
State Aid	7,129	-	4,679	(4,679)
Operating Transfer from Other Funds				
General Fund	-	-	5,987	(5,987)
Supplemental General Fund	13,348	9,703	-	9,703
Total Cash Receipts	20,477	9,703	\$ 10,666	\$ (963)
Expenditures				
Support Services				
Instructional Support Staff	15,813	16,237	\$ 17,200	\$ (963)
Other Supplemental Services	-	-	-	-
Total Expenditures				
Subject to Budget	15,813	16,237	\$ 17,200	\$ (963)
Receipts Over (Under) Expenditures	4,664	(6,534)		
Unencumbered Cash, Beginning	1,870	6,534		
Prior Year Cancelled Encumbrance	-	-		
Unencumbered Cash, Ending	\$ 6,534	\$ -		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
SPECIAL EDUCATION FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Interest on Idle Funds	\$ -	\$ -	\$ -	\$ -
Miscellaneous	20,653	64,924	-	64,924
Federal Sources				
Federal aid	6,035	-	-	-
Operating Transfer from Other Funds				
Supplemental General Fund	405,342	210,478	345,777	
General Fund	1,047,947	1,144,958	1,075,226	69,732
Total Cash Receipts	1,479,977	1,420,359	\$ 1,421,003	\$ 134,656
Expenditures				
Instruction	1,358,218	1,411,542	\$ 1,516,776	\$ (105,234)
Support Services				
Instructional Support	-	-	-	-
Transportation	122,653	109,827	127,855	(18,028)
Total Expenditures Subject to Budget	1,480,871	1,521,369	\$ 1,644,631	\$ (123,262)
Receipts Over (Under) Expenditures	(894)	(101,010)		
Unencumbered Cash, Beginning	224,522	223,628		
Unencumbered Cash, Ending	\$ 223,628	\$ 122,618		

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
VOCATIONAL EDUCATION FUND**

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Miscellaneous	\$ 2,900	\$ 3,025	\$ -	\$ 3,025
State Sources				
State aid	-	-	1,239	(1,239)
Federal Sources				
Federal aid	2,852	-	-	-
Operating Transfer from Other Funds				
Supplemental General Fund	267,381	304,359	285,324	19,035
General Fund	44,038	21,434	44,050	(22,616)
Total Cash Receipts	317,171	328,818	\$ 330,613	\$ (1,795)
Expenditures				
Instruction	311,932	334,272	\$ 336,067	\$ (1,795)
Student Support Services	-	-	-	-
Operations and Maintenance	-	-	-	-
Total Expenditures Subject to Budget	311,932	334,272	\$ 336,067	\$ (1,795)
Receipts Over (Under) Expenditures	5,239	(5,454)		
Unencumbered Cash, Beginning	215	5,454		
Unencumbered Cash, Ending	<u>\$ 5,454</u>	<u>\$ -</u>		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
KPERS SPECIAL RETIREMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal 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	
Cash Receipts				
State Sources				
State Aid	\$ 717,041	\$ 619,163	\$ 974,387	\$ (355,224)
Operating Transfer from Other Funds				
General Fund	-	-	-	-
Total Cash Receipts	<u>717,041</u>	<u>619,163</u>	<u>\$ 974,387</u>	<u>\$ (355,224)</u>
Expenditures				
KPERS Retirement Contribution	717,041	619,163	\$ 974,387	\$ (355,224)
Total Expenditures				
Subject to Budget	<u>717,041</u>	<u>619,163</u>	<u>\$ 974,387</u>	<u>\$ (355,224)</u>
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
CONTINGENCY RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2019

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating transfer from General Fund	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures		
Instruction	-	-
Support Services Operations and Maintenance	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	287,776	287,776
Unencumbered Cash, Ending	\$ 287,776	\$ 287,776

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
STUDENT MATERIALS FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2019

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Textbook rental	\$ 5,475	\$ 10,714
Miscellaneous	-	-
Operating transfer from General Fund	23,642	-
Total Cash Receipts	29,117	10,714
 Expenditures		
Instruction	29,118	47,041
Total Expenditures	29,118	47,041
Receipts Over (Under) Expenditures	(1)	(36,327)
Unencumbered Cash, Beginning	63,328	63,327
Unencumbered Cash, Ending	\$ 63,327	\$ 27,000

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
TITLE II FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2019

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ 41,303	\$ 44,760
Total Cash Receipts	<u>41,303</u>	<u>44,760</u>
Expenditures		
Instruction	41,303	44,760
General Administration	<u>-</u>	<u>-</u>
Total Expenditures	<u>41,303</u>	<u>44,760</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
TITLE I FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2019

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ 266,016	\$ 264,128
Total Cash Receipts	<u>266,016</u>	<u>264,128</u>
Expenditures		
Instruction	<u>266,016</u>	<u>264,128</u>
Total Expenditures	<u>266,016</u>	<u>264,128</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 #508
BAXTER SPRINGS, KANSAS
KANSAS READING ROADMAP
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2019

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$ 166,080	\$ 153,413
Local Sources		
Reimbursements	7,613	-
Total Cash Receipts	173,693	153,413
Expenditures		
Instruction	147,819	186,189
Total Expenditures	147,819	186,189
Receipts Over (Under) Expenditures	25,874	(32,776)
Unencumbered Cash, Beginning	(45,453)	(19,579)
Unencumbered Cash, Ending	\$ (19,579)	\$ (52,355)

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
EDUCATION FUND**

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2019

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

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Local Sources		
Other	\$ 6,201	\$ -
Total Cash Receipts	<u>6,201</u>	<u>-</u>
Expenditures		
Instruction	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	6,201	-
Unencumbered Cash, Beginning	<u>9,780</u>	<u>15,981</u>
Unencumbered Cash, Ending	<u>\$ 15,981</u>	<u>\$ 15,981</u>

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
SPECIAL GRANTS FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2019

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Other grants	\$ 82,931	\$ 36,289
State Sources		
School Safety Grant	-	17,971
Total Cash Receipts	82,931	54,260
Expenditures		
Program Expenditures	25,284	92,744
Total Expenditures	25,284	92,744
Receipts Over (Under) Expenditures	57,647	(38,484)
Unencumbered Cash, Beginning	65,547	123,194
Unencumbered Cash, Ending	\$ 123,194	\$ 84,710

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
ABERNATHY TRUST FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2019

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Abernathy trust	\$ 4,936	\$ -
Interest	-	-
	<hr/>	<hr/>
Total Cash Receipts	4,936	-
	<hr/>	<hr/>
Expenditures		
Program Expenditures	4,936	-
	<hr/>	<hr/>
Total Expenditures	4,936	-
	<hr/>	<hr/>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
	<hr/>	<hr/>
Unencumbered Cash, Ending	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
BOND AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Fiscal 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	
Cash Receipts				
Local Sources				
Ad valorem tax	\$ 129,917	\$ 248,344	\$ 239,778	\$ 8,566
Delinquent tax	17,169	6,567	3,145	3,422
Motor vehicle tax	28,219	22,976	22,717	259
Interest on idle funds	-	-	-	-
Other	10	-	-	-
State Sources				
State aid	371,456	362,441	369,094	(6,653)
Total Cash Receipts	546,771	640,328	\$ 634,734	\$ 5,594
Expenditures				
Debt Service				
Principal	320,000	330,000	\$ 330,000	\$ -
Interest	175,275	168,775	168,775	-
Other	-	-	10	(10)
Total Expenditures Subject to Budget	495,275	498,775	498,785	(10)
Receipts Over (Under) Expenditures	51,496	141,553		
Unencumbered Cash, Beginning	537,003	588,499		
Unencumbered Cash, Ending	<u>\$ 588,499</u>	<u>\$ 730,052</u>		

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
TAYLOR SCHOLARSHIP FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2019

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Interest	\$ 26	\$ 1,297
Total Cash Receipts	26	1,297
Expenditures		
Scholarships	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	26	1,297
Unencumbered Cash, Beginning	172,377	172,403
Unencumbered Cash, Ending	\$ 172,403	\$ 173,700

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
HARTZELL SCHOLARSHIP FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Fiscal Year Ended June 30, 2019

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Interest	\$ -	\$ -
	-	-
Total Cash Receipts	-	-
Expenditures		
Scholarships	6,201	-
	6,201	-
Total Expenditures	6,201	-
Receipts Over (Under) Expenditures	(6,201)	-
Unencumbered Cash, Beginning	6,201	-
	6,201	-
Unencumbered Cash, Ending	\$ -	\$ -

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
AGENCY FUNDS

Schedule of Receipts and Disbursements
 Regulatory Basis

For the Fiscal Year Ended June 30, 2019

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations				
High School	\$ 38,281	\$ 121,519	\$ 110,758	\$ 49,042
Middle School	25,994	16,016	14,220	27,790
Central Elementary	2,303	934	616	2,622
Lincoln Elementary	4,926	48	563	4,411
Totals	<u>\$ 71,504</u>	<u>\$ 138,518</u>	<u>\$ 126,157</u>	<u>\$ 83,864</u>

UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS
DISTRICT ACTIVITY FUNDS
 Schedule of Receipts, Expenditures, and Unencumbered Cash
 Regulatory Basis
 For the Fiscal Year Ended June 30, 2019

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Cash Balances June, 30 2016
Gate Receipts						
High School	\$ 4,488	\$ 35,330	\$ 34,813	\$ 5,005	\$ 28	\$ 5,033
Middle School	4,649	10,134	13,979	803	-	803
Subtotal	<u>9,137</u>	<u>45,464</u>	<u>48,792</u>	<u>5,808</u>	<u>28</u>	<u>5,836</u>
Fees and User Charges						
High School	-	75,398	72,114	3,284	-	3,284
Middle School	-	47,741	47,741	-	-	-
Central Elementary	-	22,910	22,910	-	-	-
Lincoln Elementary	-	14,730	14,730	-	-	-
Subtotal	<u>-</u>	<u>160,779</u>	<u>157,495</u>	<u>3,284</u>	<u>-</u>	<u>3,284</u>
Totals	<u>\$ 9,137</u>	<u>\$ 206,243</u>	<u>\$ 206,287</u>	<u>\$ 9,092</u>	<u>\$ 28</u>	<u>\$ 9,120</u>

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

FEDERAL GRANTOR /PASS THROUGH GRANTOR /PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
<u>U.S. Department of Agriculture</u>			
Passed Through the State of Kansas			
Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 92,243	\$ 92,243
National School Lunch Program	10.555	266,347	266,347
Summer Food Service Program	10.559	<u>2,797</u>	<u>2,797</u>
		<u>361,387</u>	<u>361,387</u>
<u>U.S. Department of Education</u>			
Passed Through the State of Kansas			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	264,128	264,128
Title II - Improving Teacher Quality	84.367	<u>44,760</u>	<u>44,760</u>
		<u>308,888</u>	<u>308,888</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through the Kansas Reading Roadmap:			
477 and TANF Clusters			
Temporary Assistance for Needy Families	93.558	<u>153,413</u>	<u>186,189</u>
		<u>153,413</u>	<u>186,189</u>
TOTALS		<u>\$ 823,688</u>	<u>\$ 856,464</u>

Notes: The Schedule of Expenditures of Federal Awards has been prepared using the regulatory basis of accounting as established in the Kansas Municipal Audit and Accounting Guide. Under the regulatory basis of accounting, revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments of the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract.

The District did not elect to use the 10% de minimis indirect cost rate.

Total expenditures under the Child Nutrition Cluster were \$361,387

Total expenditures under the 477 and TANF Clusters were \$186,189

**UNIFIED SCHOOL DISTRICT #508
BAXTER SPRINGS, KANSAS**

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019

Finding 2018-001 and 2017-001 Drafting Financial Statements

Condition: The District's auditors, provide significant assistance with preparing their financial statement in the regulatory basis format as well as determining which disclosures are required.

Recommendation: None

Current Status: The District continues to rely on their auditors to assist in preparing the financial statement and disclosures. The District periodically reviews the situation. The District continues to believe this is the most cost-effective way to produce their financial statement. This remains a current year audit finding.

Diehl Banwart Bolton

Certified Public Accountants PA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Baxter Springs Unified School District #508
Baxter Springs, Kansas 66713

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the regulatory basis financial statement and the related notes of Unified School District #508 as of the year ended June 30, 2019, and have issued our report thereon dated February 20, 2020.

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 circumstance for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that 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 identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be significant deficiencies.

Compliance and Other Matters

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

We noted certain other matters that we reported to Management of the District in a separate letter dated February 20, 2020.

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 report is not suitable for any other purpose.

Diehl, Banwart, Bolton CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

February 20, 2020
Pittsburg, Kansas

Diehl Banwart Bolton

Certified Public Accountants PA

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

Board of Education
Baxter Springs Unified School District #508
Baxter Springs, Kansas 66713

Report on Compliance for Each Major Federal Program

We have audited the Unified School District #508's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 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, contracts and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibilities

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Diehl, Banwart, Bolton CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

February 20, 2020
Pittsburg, Kansas

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2019-001 Drafting Financial Statements

Condition: As auditors, we provide significant assistance with adjusting entries, as well as determining which disclosures are required under generally accepted accounting standards and the regulatory basis of accounting. This is a repeat finding from June 30, 2018, and was identified in that report at 2018-001.

Criteria: Internal controls should be in place that provide a reasonable assurance that the financial statements are appropriate in form and contain the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they can not be considered part of the District's internal control.

Effect: The District relies on independent auditors to determine the financial statements are in the correct form and include the proper disclosures.

Recommendation: None

Response: The District agrees with the finding. The District's response is in the attached Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

BAXTER SPRINGS PUBLIC SCHOOLS, USD #508

June 30, 2019 Financial Statements

Corrective Action Plan

Audit Finding 2019-001

USD #508 has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under the regulatory basis of accounting. While the USD #508 understands that this is a significant deficiency in our internal controls, we believe it is the most cost-effective manner for us to produce our financial statements. Our accounting staff concentrate on providing the reports needed for management and regulatory purposes. We believe it would be inefficient and cost prohibitive for our staff to attempt to stay current on all the disclosure requirements of the regulatory basis of accounting. We do not plan on making any changes at this time. However, we will monitor this situation and periodically determine if it is cost effective for us to perform these functions.