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TEEN INTERLOCAL NO. 632

FINANCIAL STATEMENT WITH REGULATORY – REQUIRED SUPPLEMENTARY INFORMATION TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023

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SSC CPAs, P.A.

Independent Auditor's Report

To the Board of Directors
TEEN Interlocal No. 632
Hillsboro, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of TEEN Interlocal No. 632, Hillsboro, Kansas, as of and for the year ended June 30, 2023, and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of TEEN Interlocal No. 632, as of June 30, 2023, 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 accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of TEEN Interlocal No. 632, as of June 30, 2023, 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 2.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide.* Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of TEEN Interlocal No. 632, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 2 of the financial statement, the financial statement is prepared by TEEN Interlocal No. 632 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 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of 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 2; 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TEEN Interlocal No. 632's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TEEN Internal No. 632's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about TEEN Interlocal No. 632's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures - actual and budget and individual fund schedules of regulatory basis receipts and expenditures - actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however 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 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statement or to the 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 accompanying supplementary information 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 2.

Other Information

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of TEEN Interlocal No. 632 as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated November 18, 2022, which contained an unmodified opinion on the basic financial statement. The 2022 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 https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2022 actual column (2022 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended June 30, 2023 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2022 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 basic financial statement or to the 2022 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2022 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2022, on the basis of accounting described in Note 2.

SSC CPAs, P.A.

SSC CPAs, P.A.
Salina, Kansas
October 30, 2023

TEEN INTERLOCAL NO. 632
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH (REGULATORY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

STATEMENT 1

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund:						
General	$ 168,102	$ 238,825	$ 270,904	$ 136,023	$ -	$ 136,023
Special Purpose Fund:						
Virtual Education	94,052	219,165	162,241	150,976	-	150,976
TOTAL REPORTING ENTITY	$ 262,154	$ 457,990	$ 433,145	$ 286,999	$ -	$ 286,999
COMPOSITION OF CASH :						
Checking Account						$ 286,999
TOTAL CASH						$ 286,999

1. REPORTING ENTITY

TEEN Interlocal No. 632 (the Interlocal) is a consortium located in Marion and Dickinson Counties. The Interlocal has been established to enable five member school districts to share resources for the mutual benefit of the students. The Interlocal is governed by a Board of Directors comprised of one board member from each of the five member districts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Interlocal 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 Interlocal to use the regulatory basis of accounting.

Fund Descriptions. The following types of funds comprise the financial activities of the Interlocal for the year ended June 30, 2023:

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

Special Purpose Fund - Used to account for the proceeds of specific tax levies and other specific revenue sources that are intended for specified purposes.

3. BUDGETARY INFORMATION

The Interlocal prepares an annual budget of receipts and expenditures that is required to be submitted to the Kansas State Department of Education on or before August 25th. The Interlocal does not levy a tax and thus is not subject to the Kansas Budget Law. The budget is prepared for internal use and to satisfy the requirement of the Kansas State Department of Education.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Interlocal. The statute requires banks eligible to hold the Interlocal's funds have a main or branch bank in the county in which the Interlocal 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 Interlocal has no other policies that would further limit interest rate risk.

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

Concentration of credit risk. State statutes place no limit on the amount the Interlocal may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Interlocal had no investments as of June 30, 2023.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Interlocal's deposits may not be returned to it. State statutes require the Interlocal's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Interlocal has not designated a "peak period." All deposits were legally secured at June 30, 2023.

At June 30, 2023, the Interlocal's carrying amount of deposits was $286,999 and the bank balance was $295,320. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining $45,320 was collateralized with securities held by the pledging financial institution's agents in the Interlocal's name.

5. FIBER OPTIC LEASE

On April 22, 2021, the Interlocal extended a lease agreement with Eagle Broadband Investments, LLC in which the Interlocal shall provide four unused fiber optic cable strands to Eagle Broadband Investments, LLC. The lease renewal period began on July 1, 2021, and ends on June 30, 2023. Eagle Broadband Investments, LLC is to pay the Interlocal $5,622 per month. The Interlocal received $67,464 in the year ended June 30, 2023.

On May 31, 2023, the Interlocal extended a lease agreement with Eagle Broadband Investments, LLC. The lease renewal period begins on July 1, 2023, and ends on June 30, 2024. Eagle Broadband Investments, LLC is to pay the Interlocal $5,622 per month.

6. RELATED PARTY TRANSACTIONS

The Interlocal reimburses the host district, USD 410 Durham-Hillsboro-Lehigh, for wages, payroll tax, and benefits of its executive director. The Interlocal also reimburses USD 410 for clerical and accounting services and for instruction by staff employed by USD 410. The total payments to USD 410 were $151,490 for the fiscal year ended June 30, 2023.

7. SUBSEQUENT EVENTS

The Interlocal's management has evaluated events and transactions occurring after June 30, 2023, through October 30, 2023. The aforementioned date represents the date the financial statement was available to be issued.

REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION

TEEN INTERLOCAL NO. 632
SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET (REGULATORY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE 1

Funds	Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund:					
General	$ 291,352	$ -	$ 291,352	$ 270,904	$ (20,448)
Special Purpose Fund:					
Virtual Education	137,690	-	137,690	162,241	24,551

TEEN INTERLOCAL NO. 632
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET (REGULATORY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED JUNE 30, 2022)

SCHEDULE 2

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Assessments	$ 98,626	$ 101,392	$ 101,392	$ -
Receipts from Courses	42,190	36,420	30,000	6,420
Fiber Lease	67,464	67,464	67,464	-
E-Rate Funding	30,672	32,400	32,400	-
Interest on Idle Funds	7	1,149	-	1,149
Miscellaneous Income	137	-	100	(100)
Total Receipts	239,096	238,825	$ 231,356	$ 7,469
Expenditures				
General Administration	57,620	62,365	$ 64,825	$ (2,460)
Instructional	135,814	130,155	128,792	1,363
Instructional Support	16,976	62,384	81,735	(19,351)
Family and Communities Together	14,000	16,000	16,000	-
Total Expenditures	224,410	270,904	$ 291,352	$ (20,448)
Receipts Over (Under) Expenditures	14,686	(32,079)		
Unencumbered Cash, Beginning	153,416	168,102		
Unencumbered Cash, Ending	$ 168,102	$ 136,023		

TEEN INTERLOCAL NO. 632
VIRTUAL EDUCATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET (REGULATORY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED JUNE 30, 2022)

SCHEDULE 2

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Virtual Academy Assessments	$ 142,866	$ 219,165	$ 181,790	$ 37,375
Expenditures				
General Administration	44,905	46,845	$ 47,845	$ (1,000)
Instructional	48,322	65,362	37,845	27,517
Instructional Support	1,120	34	2,000	(1,966)
Other	120,000	50,000	50,000	-
Total Expenditures	214,347	162,241	$ 137,690	$ 24,551
Receipts Over (Under) Expenditures	(71,481)	56,924		
Unencumbered Cash, Beginning	165,533	94,052		
Unencumbered Cash, Ending	$ 94,052	$ 150,976		