

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas
REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended June 30, 2020
And
INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS

...**KL**...

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INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

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Karlin & Long, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education
Interlocal # 620, Three Lakes Educational Cooperative
Lyndon, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Interlocal # 620, Three Lakes Educational Cooperative, Lyndon, Kansas as of and for the year ended June 30, 2020, and the related notes to the financial statements.

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 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 *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 the 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

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Interlocal # 620, Three Lakes Educational Cooperative, Lyndon, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Interlocal # 620, Three Lakes Educational Cooperative, Lyndon, Kansas as of June 30, 2020, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Interlocal # 620, Three Lakes Educational Cooperative, Lyndon, Kansas as of June 30, 2020, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with "Government Auditing Standards", we have also issued our report dated November 3, 2020, on our consideration of the Interlocal # 620, Three Lakes Educational Cooperative, Lyndon, Kansas's internal control over financial reporting and 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 of financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering Interlocal # 620, Three Lakes Educational Cooperative, Lyndon, Kansas' internal control over financial reporting and compliance.

Supplementary Information

Our audit was conducted for the purpose of forming 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*. The accompany schedule of expenditures of federal awards is presented for purposes of additional analysis as required but U.S Office of Management and Budget "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 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 1.

Karlin & Long, LLC

Karlin & Long, LLC
Certified Public Accountants

Lenexa, KS
March 2, 2021

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Regulatory Basis

Summary of Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2020

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General	\$ 1,028,653	\$ 7,242	\$ 8,155,026	\$ 8,156,709	\$ 1,034,212	\$ 41,955	\$ 1,076,167
Special Revenue							
Inservice Education	<u>0</u>	<u>0</u>	<u>26,877</u>	<u>26,877</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Reporting Entity	\$ <u>1,028,653</u>	\$ <u>7,242</u>	\$ <u>8,181,903</u>	\$ <u>8,183,586</u>	\$ <u>1,034,212</u>	\$ <u>41,955</u>	\$ <u>1,076,167</u>

Composition of Cash

Checking Accounts	\$ 1,074,669
Savings Accounts	-
Petty Cash	1,498
Certificates of Deposit	<u>-</u>
Total Reporting Entity	\$ <u>1,076,167</u>

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

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Three Lakes Educational Cooperative Interlocal #620, Lyndon, Kansas is made up of six participating local unified school districts.

Financial Reporting Entity

Interlocal #620 is a municipal corporation governed by a six member board. The Cooperative as an entity has been defined to include, on a combined basis, (a) Interlocal #620 (b) organizations for which Interlocal #620 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with Interlocal #620 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the Cooperative's report.

Fund Descriptions

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

The following types of funds comprise the financial activities of Interlocal #620 for the year 2019:

Governmental Funds

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

Special Purpose Funds – To account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to be expended for specified purposes.

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

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 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.

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

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), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year in August.
2. Adoption of the final budget at the August board meeting.

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Budgetary Information (continued)

3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. No budgets were amended during fiscal year 2020.

The statutes permit transferring budgeted amounts between accounts 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 schedule are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior years accounts payable and encumbrances. Encumbrances are commitments by the Interlocal for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused legal budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds and trust funds and the following special purpose funds:

Inservice Education Fund

Original appropriations are modified by supplemental appropriations and transfers among budget categories. The Boards of Directors approve all significant changes.

All revenues and expenditures are estimated on a twelve-month basis. The tax levy required to finance the budget is on a calendar-year basis for the participating Districts. The Interlocal does not levy taxes directly to fund operations.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – Deposits and Investments

Deposits

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

K.S.A. 12-1675 limits the government's investments 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 government has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, Interlocal #620 deposits may not be returned to it. State statutes require the Interlocal #620 deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2020.

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments

Custodial Credit Risk – Deposits (continued)

At June 30, 2020, Interlocal #620 was carrying deposits in the amount of \$1,076,167 and the bank balance was \$1,454,110. 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 balance was collateralized with securities held by the pledging financial institutions' agents in the government's name. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – Defined Benefit Pension Plan

Plan Description – Three Lakes Educational Cooperative 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. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; 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 contributions rate of 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on 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

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

14.59% and 13.21% respectively, for the fiscal year ended June 30, 2019. The actuarially determined employer contribution rate and the statutory contribution rate was 16.15% and 14.41% for the fiscal year ended June 30, 2020.

Per 2017 Senate Substitute for House Bill 2052, Section 37(a), a state general fund employer contributions to KPERS were decreased by \$64.13 million for the fiscal year ended June 30, 2017. Section 43(17) of the bill stipulated that repayments of the reduced contributions are to be amortized over twenty years at the level dollar amount commencing in fiscal year 2018. The level dollar amount was computed to be \$6.4 million dollars per year. The first year payment of \$6.4 million was received in July of 2017 and appropriations for fiscal year 2018 were made for the State/School group at the statutory contribution rate of 12.01% for that year.

Per 2017 Senate Substitute for House Bill 2002, Section 51(a), a state general fund employer contributions to KPERS were decreased by \$194.0 million 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 the level dollar amount commencing in fiscal year 2020. The level dollar amount was computed to be \$19.4 million dollars per year.

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

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

The State of Kansas is required to contribute the statutory required employers share except for the 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 \$ 73,692 for the year ended June 30, 2020.

Net Pension Liability At June 30, 2020 the District's proportionate share of collective net pension liability reported by KPERS was \$ 532,487. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The Districts proportion of the net pension liability was based on the ratio of the Districts contributions to KPERS, relative to the total employer and non-employer

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2019. Since KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

NOTE 4 – Risk Management

Interlocal #620 is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Interlocal carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 5 – Stewardship, Compliance and Accountability

There were no noted violations of Kansas statutes for the period under examination.

NOTE 6 – Compensated Absences

Under the terms of Interlocal #620 personnel policy, Interlocal employees are granted annual, discretionary and sick leave in varying amounts depending on whether the employee is in a classified or certified position.

Certified personnel are provided with 6 sick leaves days per year accumulative to 70 days. Certified personnel are provided with 6 discretionary leave days per year accumulative to 15. Unused sick leave over 70 days is reimbursed at the rate of \$45 per day.

Classified employees working nine months are provided with 8 sick leave days and 3 discretionary leave days until the 10th year of employment when they are provided with 1 additional discretionary leave day. Discretionary leave for nine month classified employees may accumulate to 6. Unused sick leave over 70 days is reimbursed at the rate of \$35 per day.

Classified employees working eleven months are provided with 10 sick leave days and 3 discretionary leave days until the 10th year of employment when they are

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Compensated Absences (continued)

provided with 1 additional discretionary leave day. Discretionary leave for eleven month classified employees may accumulate to 8. Unused sick leave over 70 days is reimbursed at the rate of \$35 per day.

Classified employees working twelve months are provided with 10 sick leave days and 4 discretionary leave days until the 10th year of employment when they are provided with 1 additional discretionary leave day. Discretionary leave for twelve month classified employees may accumulate to 10. Unused sick leave over 70 days is reimbursed at the rate of \$35 per day.

Newly hired classified employees and classified employees on probation, are provided with 1 sick leave day per month and 1 discretionary leave day during their initial year of employment.

Twelve month classified personnel are provided with 10 days of annual leave per year. The Director is provided with fifteen days of annual leave per year. Terminated employees are not paid for unused annual or discretionary leave. They are paid for unused sick leave in excess of 70 days. No liability has been recorded for this amount.

NOTE 7 – Interfund Transactions

There were no interfund transactions for the period under audit.

NOTE 8 – Other Post Employment Benefits

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care 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 government under this program.

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Contingency

Interlocal #620 receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of Interlocal #620 management, such disallowances, if any, will not be significant to Interlocal #620 financial statements.

NOTE 10 – Subsequent Events

Subsequent events for management's review have been evaluated through March 2, 2021. The date in the prior sentence is the date the financial statements were available to be issued.

**Interlocal # 620 Three Lakes Education Cooperative
Lyndon, Kansas**

Regulatory-Required

Supplementary Information

For the year ended June 30, 2020

INTERLOCAL #620
 THREE LAKES EDUCATIONAL COOPERATIVE
 Regulatory Basis
 Summary of Receipts, Expenditures, and Unencumbered Cash
 For the Year Ended June 30, 2020

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments to Comply with Legal Max</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
Governmental Type Funds						
General	\$ 9,306,021	\$ 0	\$ 0	\$ 9,306,021	\$ 8,156,709	\$ (1,149,312)
Special Revenue						
Inservice Education	37,500	0	0	37,500	26,877	(10,623)

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

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
GENERAL FUND (SPECIAL EDUCATION)
Regulatory Basis
Schedule of Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2020

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Intergovernmental Revenue			
Federal funds	\$ 1,093,487	\$ 1,181,695	\$ (88,208)
State funds	8,480	8,000	480
Part C Funds	78,562	79,328	(766)
Charges for services	6,670,390	6,534,250	136,140
Part C Funds	136,214	118,393	17,821
Interest income	25,290	20,000	5,290
Miscellaneous revenues	142,603	335,703	(193,100)
Part C Funds			0
Operating transfers			0
Total Cash Receipts	<u>8,155,026</u>	<u>8,277,369</u>	<u>(122,343)</u>
EXPENDITURES			
Instruction	5,801,146	5,909,045	(107,899)
Part C Instructional	175,003	158,201	16,802
Student support services	1,277,481	1,456,011	(178,530)
Part C student Support	13,985	13,985	0
Instruction support staff	228,850	245,524	(16,674)
Part C Instructional Support	8,775	8,531	244
General administration	536,950	531,743	5,207
Part C General Administration	14,917	14,917	0
School administration		830,458	(830,458)
Operations and maintenance	54,862	69,811	(14,949)
Part C Operations and Maintenance	2,087	2,087	0
Student transportation services	42,653	65,708	(23,055)
Other support services			0
Part C Other support services			0
Operating transfers			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>\$ 8,156,709</u>	<u>\$ 9,306,021</u>	<u>\$ (1,149,312)</u>
Receipts Over (Under) Expenditures	(1,683)		
Unencumbered Cash, Beginning	1,028,653		
Prior Year Cancelled Encumbrances	<u>7,242</u>		
Unencumbered Cash, Ending	<u>\$ 1,034,212</u>		

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

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
INSERVICE EDUCATION FUND
Regulatory Basis
Schedule of Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2020

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Intergovernmental Revenue			
Federal funds	\$	\$	\$ 0
State funds	4,006	5,000	(994)
Charges for services			0
Interest income			0
Miscellaneous revenues	22,871	32,500	(9,629)
Operating transfers			0
Total Cash Receipts	<u>26,877</u>	<u>37,500</u>	<u>(10,623)</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff	26,877	37,500	(10,623)
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Other support services			0
Operating transfers			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>26,877</u>	<u>\$ 37,500</u>	<u>\$ (10,623)</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>		

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



Karlin & Long, LLC
Certified Public Accountants

Board of Education
Three Lakes Educational Cooperative
Lyndon, Kansas

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

Report on Compliance for Each Major Federal Program

We have audited Interlocal #620, Three Lakes Educational Cooperative's 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 Interlocal #620, Three Lakes Educational Cooperative's major federal programs for the year ended June 30, 2020. Interlocal #620, Three Lakes Educational Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Interlocal #620, Three Lakes Educational Cooperative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Interlocal #620, Three Lakes Educational Cooperative'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 Interlocal #620, Three Lakes Educational Cooperative's compliance.

Opinion on Each Major Federal Program

In our opinion, the Interlocal #620, Three Lakes Educational Cooperative, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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Report on Internal Control over Compliance

Management of the Interlocal #620, Three Lakes Educational Cooperative, 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 Interlocal #620, Three Lakes Educational Cooperative'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 Interlocal #620, Three Lakes Educational Cooperative's internal control over compliance.

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

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

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

Karlin & Long, LLC

Karlin & Long, LLC
Certified Public Accountants

March 2, 2021

...KL...

Karlin & Long, LLC
Certified Public Accountants

Board of Education
Interlocal # 620, Three Lakes Educational Cooperative
Lyndon, Kansas 66436

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units of Interlocal # 620, Three Lakes Educational Cooperative as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2021.

The report on the audited financial statement was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unmodified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Interlocal # 620, Three Lakes Educational Cooperative' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Interlocal # 620, Three Lakes Educational Cooperative' internal control. Accordingly, we do not express an opinion on the effectiveness of Interlocal # 620, Three Lakes Educational Cooperative' 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 organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interlocal # 620, Three Lakes Educational Cooperative's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Karlin & Long, LLC

Karlin & Long, LLC
Certified Public Accountants

March 2, 2021

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
State Grants (Part B Education Act)	84.027	*	\$ 797,885
Early Childhood Aid	84.173	*	38,229
Department of Education Cluster			<u>836,114</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
Meal Cost	10.558	*	<u>8,059</u>
Total Federal Assistance			<u>\$ 844,173</u>

* Not available

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

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2020

NOTE 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Interlocal #620 Three Lakes Educational Cooperative and is presented on the statutory basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Statutory Basis of Accounting – The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

Interlocal #620 Three Lakes Educational Cooperative has obtained a waiver from generally accepted accounting principles which allows the Interlocal to revert to statutory basis of accounting.

Departure from Generally Accepted Accounting Principles – The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and mature principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2020

NOTE 1 – Basis of Accounting (ctd.)

Departure from Generally Accepted Account Principles (ctd.) - General fixed assets that account for the land, buildings, and equipment owned by the Interlocal are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

NOTE 2 – Pass-Through Awards

Interlocal #620 Three Lakes Educational Cooperative receives certain federal awards in the form of pass-through awards from the State of Kansas. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

NOTE 3 – Major Programs

In accordance with the Uniform Guidance, major programs are determined using a risk-based approach. The State Grants (Part B Education Act) and Early Childhood Aid have been determined by the independent auditor to be a cluster of major program determination.

NOTE 4 – Contingencies

The Cooperative receives funds under various federal grant programs and such awards are to be expended in accordance with provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance. Managements believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

NOTE 5 – Indirect Costs

Three Lakes Educational Cooperative has elected not to use the 10 percent de minimis indirect cost rate allowed under uniform guidance.

INTERLOCAL #620
THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2020

A. Summary of Audit Results

1. The auditors' report expresses an adverse opinion on the financial statements of Three Lakes Educational Cooperative in accordance with Generally Accepted Accounting Principles. The auditor's report expresses an Unmodified Opinion on the financial statements in accordance with the regulatory basis.
2. No significant deficiency relating to the audit of the general purpose financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the general purpose financial Statements of Three Lakes Educational Cooperative were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Three Lakes Educational Cooperative expresses an unmodified opinion on all major federal programs.
5. Audit findings that are required to be reported in accordance with Section 2 CFR 200.516 (a) of the Uniform Guidance relative to the major federal award programs for Three Lakes Educational Cooperative in Education are reported in this schedule.
6. The programs tested as major programs included:
Department of Education Cluster
State Grant (Part B Education Act), Early Childhood Aid
CFDA No. 84.027, 84.173
7. Three Lakes Educational Cooperative was determined to not be a low-risk auditee.
8. The threshold for distinguishing types A and B programs was \$750,000.

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Awards Programs Audit

Department of Education Cluster

State Grant (Part B Education Act), Early Childhood Aid

CFDA No. 84.027, 84.173

No findings of noncompliance or questioned costs were noted.