THREE LAKES EDUCATIONAL COOPERATIVE

Lyndon, Kansas

FINANCIAL STATEMENT

WITH

INDEPENDENT AUDITOR'S REPORT

June 30, 2023

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas
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February 21, 2024

Board of Education
Three Lakes Educational Cooperative
Lyndon, Kansas

Independent Auditor's Report

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Three Lakes Educational Cooperative (the Cooperative), 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 the Cooperative 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 the Cooperative 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* (KMAAG) described in Note 1.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), KMAAG and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the Cooperative on the basis of the financial reporting provisions of the KMAAG, 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.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of the financial statement in accordance with KMAAG as described in Note 1; this includes determining 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.

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 the Cooperative'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.

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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 judgment 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 the Cooperative'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative'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, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (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 KMAAG. 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 1.

Other Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the Cooperative's basic financial statement. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic 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 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2024 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Cooperative's internal control over financial reporting and compliance.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended June 30, 2023

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GOVERNMENTAL TYPE FUNDS							
Governmental type funds							
General Fund	$ 1,317,475	$ -	$ 8,846,759	$ 8,814,660	$ 1,349,574	$ 450,037	$ 1,799,611
Special Revenue Inservice Education	-	-	25,618	25,618	-	775	775
Total Reporting Entity (Excluding Agency Funds)	$ 1,317,475	$ -	$ 8,872,377	$ 8,840,278	$ 1,349,574	$ 450,812	$ 1,800,386
Composition of Cash							
Checking Accounts							$ 1,799,042
Petty Cash							1,344
Total Reporting Entity (Excluding Agency Funds)							$ 1,800,386

The accompanying notes are an integral part of this financial statement.
See Independent Auditor's Report.

THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas
NOTES TO FINANCIAL STATEMENT
June 30, 2023

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

Three Lakes Educational Cooperative (the Cooperative), is made up of six participating local unified school districts.

Financial Reporting Entity

The Cooperative 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 No. 620 (b) organizations for which Interlocal No. 620 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Cooperative are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the Cooperatives' 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 the Cooperative for the year 2023:

Governmental Funds

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

Special Purpose Funds are used to account for the proceeds of specific revenue sources (other than major capital projects and tax levies for long-term debt) that are restricted by law or administrative action to expenditure for specified purposes.

Basis of Presentation

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 balances 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 Cooperative 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 Cooperative to use the statutory 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.
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.

If the Cooperative is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th.

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 2023.

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 schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior years accounts payable and encumbrances. Encumbrances are commitments by the Cooperative 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 Cooperative does not levy taxes directly to fund operations.

Use of Estimates

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

Note 2: Deposits and Investments

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

K.S.A. 12-1675 limits the Cooperative'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 Cooperative has no investment policy that would further limits its investment choices.

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

Custodial credit risk-deposits - Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. State statutes require the Cooperative'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 Cooperative did not utilize peak periods. All deposits were legally secured at June 30, 2023.

At June 30, 2023, the Cooperative's carrying amount of deposits was $1,799,042 and the bank balance was $1,991,482. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by the federal depository insurance, and the remaining $1,741,482 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name.

Note 3: Defined Benefit Pension Plan

Plan Description

The 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. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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

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 14.20% and 13.33%, respectively, for the fiscal year ended June 30, 2022. The actuarially determined employer contribution rate and the statutory contribution rate was 13.88% and 13.11% for the fiscal year ended June 30, 2023.

Note 3: Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

House Substitute for Senate Bill 109 from the 2018 Legislative session provided for additional funding for the KPERS School Group. A payment of $56 million was paid in fiscal year 2018. This bill also authorized a payment of $82 million in fiscal year 2019. The 2019 legislative session authorized an additional fiscal year payment for the KPERS School Group. 2019 Senate Bill 9 authorized a payment of $115 million for the KPERS School Group. House Substitute for Senate Bill 25 from the 2019 Legislative session authorized additional funding for the KPERS School Group in fiscal year 2020 of $51 million.

The 2021 Legislature passed House Bill 2405, which authorizes the State of Kansas to issue bonds with net proceeds of $500 million to fund a portion of the School unfunded actuarial liability. Senate Bill 159 recertified the State/School contribution rates for Fiscal Years 2022 and 2023. Fiscal Year 2022 was recertified from 14.09% to 13.33% and Fiscal Year 2023 from 13.86% to 13.11%. The bond proceeds were received by KPERS on August 26, 2021. The 2022 Legislature passed Senate Bill 421, which authorized the State of Kansas to transfer $1.125 billion from the State General Fund directly to KPERS in Fiscal Years 2022 and 2023. The first $253.9 million pays off the outstanding accounts receivable for KPERS-school employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019, discussed previously, while the remaining $871.1 million is applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2022, $600 million was transferred to KPERS. In Fiscal Year 2023, Senate Bill 421 authorizes two additional transfers which total $271 million.

The State of Kansas is required to contribute the statutory required employer's share except for retired Cooperative employees. The Cooperative is responsible for the employer's portion of the cost for retired Cooperative employees. The Cooperative received and remitted amounts equal to the statutory contribution rate, which totaled $80,802 for the year ended June 30, 2023.

Net Pension Liability

At June 30, 2023, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was $960,986. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. The Cooperative's proportion of the net pension liability was based on the ratio of the Cooperative'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, 2023. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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

Note 4: Risk Management

The Cooperative 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 district 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

We noted no violations of Kansas Statutes for the period under examination.

Note 6: Compensation Absences

Under the terms of the Cooperative's personnel policy, Cooperative 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 leave 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 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 Cooperative allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Cooperative 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 statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Cooperative 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 Cooperative under this program.

Note 9: Contingency

The Cooperative 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 the Cooperative's management, such disallowances, if any, will not be significant to the Cooperative's financial statement.

Note 10: Subsequent Events

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of the independent auditor's report, which is the date of which the financial statement was available to be issued.

REGULATORY-REQUIRED SUPPLEMENTAL INFORMATION

THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2023

Funds	Original Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:					
General Fund	$ 10,338,917	$ -	$ 10,338,917	$ 8,814,660	$ (1,524,257)
Special Revenue Inservice Education	25,000	-	25,000	23,866	(1,134)
Total Government Type Funds	$ 10,363,917	$ -	$ 10,363,917	$ 8,838,526	$ (1,525,391)

SCHEDULE 1

THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2023

	Current Year		
	Actual	Budget	Variance - Over (Under)
CASH RECEIPTS			
Local Sources			
Payments from districts	$ 6,809,707	$ 7,061,355	$ (251,648)
Interest	65,134	25,000	40,134
Revenue from other local source	348,112	680,731	(332,619)
State Sources			
Special education aid	-	7,500	(7,500)
Federal Sources			
Federal aid	1,057,035	1,046,857	10,178
Medicaid	566,771	200,000	366,771
Total Receipts	$ 8,846,759	$ 9,021,443	$ (174,684)
EXPENDITURES			
Instruction	$ 5,926,015	$ 6,742,900	$ (816,885)
Student support services	1,822,316	2,009,905	(187,589)
Instruction support staff	188,451	172,840	15,611
General administration	730,033	595,254	134,779
School administration	-	643,941	(643,941)
Operations and maintenance	79,607	94,552	(14,945)
Student transportation services	68,238	79,525	(11,287)
Total Expenditures	$ 8,814,660	$ 10,338,917	$ (1,524,257)
RECEIPTS OVER (UNDER) EXPENDITURES	$ 32,099		
UNENCUMBERED CASH - BEGINNING	1,317,475		
UNENCUMBERED CASH - ENDING	$ 1,349,574		

THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas
INSERVICE EDUCATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2023

	Current Year		
	Actual	Budget	Variance - Over (Under)
CASH RECEIPTS			
Local Sources			
Revenue from other local source	$ 21,451	$ 25,000	$ (3,549)
State Sources			
Professional development aid	4,167	-	4,167
Total Receipts	$ 25,618	$ 25,000	$ 618
EXPENDITURES			
Instructional support staff	$ 23,866	$ 25,000	$ (1,134)
General administration	1,752	-	1,752
Total Expenditures	$ 25,618	$ 25,000	$ 618
RECEIPTS OVER (UNDER) EXPENDITURES	$ -		
UNENCUMBERED CASH - BEGINNING	-		
UNENCUMBERED CASH - ENDING	$ -		

February 21, 2024

VARNEY
& ASSOCIATES, CPAs, LLC

Board of Education
Three Lakes Educational Cooperative
Lyndon, Kansas

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement 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 statement and the related notes to the financial statement of Three Lakes Educational Cooperative (the Cooperative), as of and for the year ended June 30, 2023 and have issued our report thereon dated February 21, 2024.

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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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 Cooperative's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Three Lakes Educational Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varney & Associates, CPAs, LLC

Certified Pubic Accountants
Manhattan, Kansas

VARNEY
& ASSOCIATES, CPAs, LLC

February 21, 2024

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 In Accordance With the Uniform Guidance

Opinion on Each Major Federal Program

We have audited Three Lakes Educational Cooperative's (the Cooperative), 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 Cooperative's major federal programs for the year ended June 30, 2023. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Cooperative's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Cooperative's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cooperative's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cooperative's compliance with the requirements of each major federal program as a whole.

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Auditor's Responsibilities for the Audit of Compliance (Continued)
In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material noncompliance, 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 Cooperative's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

Obtain an understanding of the Cooperative's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Cooperative's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

THREE LAKES EDUCATION COOPERATIVE
Lyndon, Kansas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Regulatory Basis
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Thru Entity Identifying Number	Federal Award Expenditures
U.S. Department of Agriculture			
Passed through Kansas Department of Education			
Child Nutrition Cluster			
Child and Adult Care Food Program	10.558	DO620	$ 10,178
U.S. Department of Education			
Passed through Kansas Department of Education			
Special Education (IDEA) Cluster			
Title VI-B Special Education	84.027A	DO620	$ 1,008,985
Early Childhood Education	84.173A	DO620	37,872
Subtotal Special Education (IDEA) Cluster			$ 1,046,857
TOTAL FEDERAL ASSISTANCE			$ 1,057,035

Note:
There were no federal awards passed through to subrecipients.

THREE LAKES EDUCATION COOPERATIVE
Lyndon, Kansas
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

Note 1: Organization

Three Lakes Educational Cooperative (the Cooperative), is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cooperative, and is presented on the Kansas regulatory basis of accounting which includes cash disbursements, accounts payable and encumbrances. The information presented in this schedule is in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statement.

Note 3: Additional Audits

Grantor agencies reserve the right to conduct additional audits of the Cooperative's grant programs for economy and efficiency and program results that may result in disallowed costs to the Cooperative. However, management does not believe such audits would result in any disallowed costs that would be material to the Cooperative's financial position at June 30, 2023.

Note 4: Non-Cash Assistance, Insurance, and Loans

The Cooperative did not receive or expend any federal awards in the form of non-cash assistance, insurance, loans or loan guarantees, including interest subsidies during the year ended June 30, 2023.

Note 5: Indirect Cost Rate

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

THREE LAKES EDUCATIONAL COOPERATIVE
Lyndon, Kansas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statement

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	___ Yes	X None
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	X None reported
Noncompliance material to financial statement noted?	___ Yes	X None

Federal Awards

Internal controls over major programs:		
Material weaknesses identified?	___ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200.516(a)	___ Yes	X No

Identification of major programs:

Name of Federal Program	**CFDA Number**
IDEA Cluster	84.027 and 84.173

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

NOTE: Beginning with the year ended June 30, 2016, the criteria for determination of low-risk auditee status changed by the U.S. Office of Management and Budget (OMB). Specifically, the regulatory basis of accounting prescribed by the State of Kansas does not meet the criteria established by OMB in the Uniform Grant Guidance (UGG). The Cooperative continues, however, to meet each of the other criteria for low-risk auditee status.

Section II - Financial Statement Findings

No matters were reported

Section III - Federal Award Findings and Questioned Costs

No matters were reported