

TEEN INTERLOCAL NO. 632
Hillsboro, Kansas

FINANCIAL STATEMENT
WITH
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Hillsboro, Kansas**

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WITH
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Independent Auditor's Report

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

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of TEEN Interlocal No. 632, Hillsboro, Kansas, as of and for the year ended June 30, 2020 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 2; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

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, and the *Kansas Municipal Audit and Accounting Guide*. 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 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 2, the financial statement is prepared by TEEN Interlocal No. 632 to meet the requirements of the State of 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 2 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 TEEN Interlocal No. 632, 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 TEEN Interlocal No. 632, 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 2.

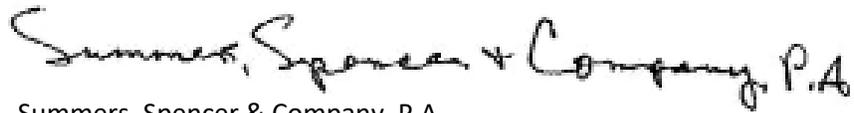
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures - actual and budget and individual fund schedules of regulatory basis receipts and expenditures - actual and budget (Schedules 1, and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 2.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of TEEN Interlocal No. 632 as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated January 15, 2020, which contained an unmodified opinion on the basic financial statement. The 2019 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chieffinancial-officer/municipal-services>. The 2019 actual column (2019 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended June 30, 2020 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2019 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 basic financial statement. The 2019 comparative information was subjected to the auditing procedures applied

in the audit of the 2019 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 basic financial statement or to the 2019 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2019, on the basis of accounting described in Note 2.

A handwritten signature in black ink that reads "Summers, Spencer & Company, P.A." in a cursive, flowing script.

Summers, Spencer & Company, P.A.

Salina, Kansas

January 21, 2021

TEEN Interlocal No. 632

Statement 1

**Summary Statement of Receipts, Expenditures, and Unencumbered Cash (Regulatory Basis)
For the Fiscal Year Ended June 30, 2020**

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund:						
General	\$ 145,633	\$ 248,347	\$ 258,669	\$ 135,311	\$ -	\$ 135,311
Special Purpose Fund:						
Virtual Education	259,289	145,942	269,988	135,243	-	135,243
Total Reporting Entity	<u>\$ 404,922</u>	<u>\$ 394,289</u>	<u>\$ 528,657</u>	<u>\$ 270,554</u>	<u>\$ -</u>	<u>\$ 270,554</u>
Composition of Cash:				Checking Account		<u>\$ 270,554</u>

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

TEEN Interlocal No. 632

Notes to the Financial Statement For the Year Ended June 30, 2020

Note 1 – Reporting Entity

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

Note 2 – Summary of Significant Account Policies

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

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

Fund Descriptions. The following types of funds comprise the financial activities of the Interlocal for the year ended June 30, 2020:

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

Special Purpose Fund - Used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Note 3 – Budgetary Information

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

Note 4 – Deposits and Investments

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

TEEN Interlocal No. 632

Notes to the Financial Statement For the Year Ended June 30, 2020

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

Concentration of credit risk. State statutes place no limit on the amount the Interlocal may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Interlocal had no investments as of June 30, 2020.

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

At June 30, 2020, the Interlocal's carrying amount of deposits was \$270,554 and the bank balance was \$274,658. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$24,658 was collateralized with securities held by the pledging financial institution's agents in the Interlocal's name.

Note 5 – Fiber Optic Lease

On April 17, 2019 the Interlocal extended a lease agreement with Eagle Communications in which the Interlocal shall provide four unused fiber optic cable strands to Eagle Communications. The lease renewal period began on July 1, 2019 and ends on June 30, 2021. Eagle Communication is to pay the Interlocal \$5,622 per month. The Interlocal received \$73,086 in the year ended June 30, 2020. During the 2020 year the Interlocal received an additional payment for July 2020 in June 2020 resulting in an additional \$5,622 for the year.

Note 6 – Related Party Transactions

The Interlocal reimburses the host district, USD 410 Durham-Hillsboro-Lehigh, for wages, payroll tax, and benefits of its executive director. The Interlocal also reimburses USD 410 for clerical and accounting services and for instruction by staff employed by USD 410. The total payments to USD 410 were \$172,426 for the fiscal year ended June 30, 2020.

Note 7 – Subsequent Events

The Interlocal's management has evaluated events and transactions occurring after June 30, 2020 through January 21, 2021. The aforementioned date represents the date the financial statement was available to be issued.

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID-19 coronavirus in 2020, uncertainties have arisen which potentially may impact future operating results. The duration and extent to which COVID-19 may impact financial performance is being monitored closely by management and they believe any potential disruption in business to be temporary.

TEEN INTERLOCAL NO. 632

**REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION
June 30, 2020**

TEEN Interlocal No. 632

Schedule 1

Summary of Expenditures – Actual and Budget (Regulatory Basis)
For the Year Ended June 30, 2020

Funds	Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund:					
General	\$ 276,307	\$ -	\$ 276,307	\$ 258,669	\$ (17,638)
Special Purpose Fund:					
Virtual Education	257,956	-	257,956	269,988	12,032

General Fund
Schedule of Receipts and Expenditures – Actual and Budget (Regulatory Basis)
For the Year Ended June 30, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Assessments	\$ 132,110	\$ 104,696	\$ 104,696	\$ -
Receipts from Courses	36,890	37,150	40,000	(2,850)
Fiber Lease	67,464	73,086	67,464	5,622
E-Rate Funding	30,672	30,672	30,672	-
Interest on Idle Funds	6,580	2,347	7,000	(4,653)
Miscellaneous Income	-	396	-	396
Total Cash Receipts	273,716	248,347	\$ 249,832	\$ (1,485)
Expenditures				
General Administration	90,486	54,294	\$ 57,851	\$ (3,557)
Tech Equipment	50	-	5,000	(5,000)
Tech Services	75,234	87,012	87,310	(298)
Maintenance and Supplies	1,091	3,708	4,000	(292)
Courses	44,063	42,289	45,700	(3,411)
Subscription Fees/Software Licenses	42,110	52,696	52,696	-
Professional Development	542	676	2,750	(2,074)
Miscellaneous/Donations	10,000	17,994	21,000	(3,006)
Total Expenditures	263,576	258,669	\$ 276,307	\$ (17,638)
Receipts Over (Under) Expenditures	10,140	(10,322)		
Unencumbered Cash, Beginning	135,493	145,633		
Unencumbered Cash, Ending	\$ 145,633	\$ 135,311		

Virtual Education Fund
Schedule of Receipts and Expenditures – Actual and Budget (Regulatory Basis)
For the Year Ended June 30, 2020
(With Comparative Actual Totals for the Prior Year Ended June 30, 2019)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Virtual Academy Assessments	\$ 95,349	\$ 145,942	\$ 83,000	\$ 62,942
Expenditures				
Technology Equipment	1,000	850	\$ 1,050	\$ (200)
Course Instruction	60,247	226,473	212,300	14,173
Virtual Administration	1,252	42,307	43,056	(749)
Marketing	188	198	700	(502)
Professional Development	731	160	850	(690)
Total Expenditures	63,418	269,988	\$ 257,956	\$ 12,032
Receipts Over (Under) Expenditures	31,931	(124,046)		
Unencumbered Cash, Beginning	227,358	259,289		
Unencumbered Cash, Ending	\$ 259,289	\$ 135,243		