



TEEN INTERLOCAL NO. 632

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

JUNE 30, 2022

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Independent Auditor's Report

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

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of TEEN Interlocal No. 632, Hillsboro, Kansas, as of and for the year ended June 30, 2022 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of TEEN Interlocal No. 632, as of June 30, 2022, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of TEEN Interlocal No. 632, as of June 30, 2022, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 2.

Basis for Adverse and Unmodified Opinions

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

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 2 of the financial statement, the financial statement is prepared by TEEN Interlocal No. 632 on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management's Responsibility for the Financial Statement

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with GAAS, we:

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

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

Required 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.

Other Information

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of TEEN Interlocal No. 632 as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated December 15, 2021, which contained an unmodified opinion on the basic financial statement. The 2021 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/oar/municipal-services>. The 2021 actual column (2021 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended June 30, 2022 (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 2021 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 2021 basic financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 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 2021 basic financial statement or to the 2021 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 2021 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, 2021, on the basis of accounting described in Note 2.

SSC CPAs, P.A.

SSC CPAs, P.A.
Salina, Kansas
November 18, 2022

TEEN INTERLOCAL NO. 632SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH (REGULATORY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

STATEMENT 1

Funds							Add		Ending
	Beginning			Ending			Outstanding		
	Unencumbered			Unencumbered			Encumbrances		Cash Balance
	Cash Balance	Receipts	Expenditures	Cash Balance			and Accounts	Payable	
General Fund:									
General	\$ 153,415	\$ 239,096	\$ 224,410	\$ 168,101	\$ -			\$ -	\$ 168,101
Special Purpose Fund:									
Virtual Education	165,534	142,866	214,347	94,053	-				94,053
TOTAL REPORTING ENTITY	\$ 318,949	\$ 381,962	\$ 438,757	\$ 262,154	\$ -			\$ -	\$ 262,154
COMPOSITION OF CASH :									
Checking Account								\$	262,154

TEEN INTERLOCAL NO. 632
NOTES TO THE FINANCIAL STATEMENT

1. REPORTING ENTITY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fund Descriptions. The following types of funds comprise the financial activities of the Interlocal for the year ended June 30, 2022:

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.

3. BUDGETARY INFORMATION

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

4. DEPOSITS AND INVESTMENTS

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

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

Concentration of credit risk. State statutes place no limit on the amount the Interlocal may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Interlocal had no investments as of June 30, 2022.

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, 2022.

At June 30, 2022, the Interlocal's carrying amount of deposits was \$262,154 and the bank balance was \$266,180. 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 \$16,180 was collateralized with securities held by the pledging financial institution's agents in the Interlocal's name.

5. FIBER OPTIC LEASE

On April 22, 2021, the Interlocal extended a lease agreement with Eagle Communications in which the Interlocal shall provide four unused fiber optic cable strands to Eagle Communications. The lease renewal period began on July 1, 2021 and ends on June 30, 2023. Eagle Communication is to pay the Interlocal \$5,622 per month. The Interlocal received \$67,464 in the year ended June 30, 2022.

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 \$157,621 for the fiscal year ended June 30, 2022.

7. RISKS AND UNCERTAINTIES

In 2020, the World Health Organization (“WHO”) announced a global health emergency because of the COVID-19 outbreak and classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Interlocal’s financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Interlocal is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for year ending June 30, 2022.

9. SUBSEQUENT EVENTS

The Interlocal's management has evaluated events and transactions occurring after June 30, 2022, through November 18, 2022. The aforementioned date represents the date the financial statement was available to be issued.

**REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION**

TEEN INTERLOCAL NO. 632**SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET (REGULATORY BASIS)**

FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULE 1

Funds	Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund:					
General	\$ 233,674	\$ -	\$ 233,674	\$ 224,410	\$ (9,264)
Special Purpose Fund:					
Virtual Education	189,578	-	189,578	214,347	24,769

TEEN INTERLOCAL NO. 632**GENERAL FUND****SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET (REGULATORY BASIS)**

FOR THE YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED JUNE 30, 2021)

SCHEDULE 2

		Prior	Current Year		Variance
		Year			Over
		Actual	Actual	Budget	(Under)
Receipts					
Assessments	\$	106,763	\$ 98,626	\$ 101,421	\$ (2,795)
Receipts from Courses		38,680	42,190	40,000	2,190
Fiber Lease		67,464	67,464	67,464	-
E-Rate Funding		37,848	30,672	30,672	-
Interest on Idle Funds		-	7	-	7
Miscellaneous Income		160	137	100	37
Total Receipts		250,915	239,096	\$ 239,657	\$ (561)
Expenditures					
General Administration		54,743	57,620	\$ 61,153	\$ (3,533)
Instructional		151,196	135,814	136,921	(1,107)
Instructional Support		12,872	16,976	21,600	(4,624)
Family and Communities Together		14,000	14,000	14,000	-
Total Expenditures		232,811	224,410	\$ 233,674	\$ (9,264)
Receipts Over (Under) Expenditures		18,104	14,686		
Unencumbered Cash, Beginning		135,311	153,415		
Unencumbered Cash, Ending	\$	153,415	\$ 168,101		

TEEN INTERLOCAL NO. 632

VIRTUAL EDUCATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET (REGULATORY BASIS)

FOR THE YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED JUNE 30, 2021)

SCHEDULE 2

	Prior Year		Current Year		Variance Over (Under)
	Actual		Actual	Budget	
Receipts					
Virtual Academy Assessments	\$ 205,175	\$	142,866	\$ 104,295	\$ 38,571
Expenditures					
General Administration	43,373		44,905	\$ 45,753	\$ (848)
Instructional	51,511		48,322	23,325	24,997
Instructional Support	-		1,120	500	620
Other	80,000		120,000	120,000	-
Total Expenditures	174,884		214,347	\$ 189,578	\$ 24,769
Receipts Over (Under) Expenditures	30,291		(71,481)		
Unencumbered Cash, Beginning	135,243		165,534		
Unencumbered Cash, Ending	\$ 165,534	\$	94,053		