INTERLOCAL NO. 607
TRI-COUNTY SPECIAL
EDUCATION COOPERATIVE

Independence, Kansas

Independent Auditor's Reports and
Financial Statement with
Supplementary Information

For the Fiscal Year Ended June 30, 2025

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Interlocal No. 607
Tri-County Special Education Cooperative
Independence, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Interlocal No. 607 Tri-County Special Education Cooperative, as of and for the year ended June 30, 2025 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 Interlocal No. 607 Tri-County Special Education Cooperative as of June 30, 2025, 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 Interlocal No. 607 Tri-County Special Education Cooperative as of June 30, 2025, 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.

Basis for Adverse and Unmodified Opinions
We conducted our audit 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 *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 the Interlocal, 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 1 of the financial statement, the financial statement is prepared by the Interlocal No. 607 Tri-County Special Education Cooperative 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.

Responsibilities of Management 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 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 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 the Interlocal'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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Interlocal'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 Interlocal'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 schedule of receipts and expenditures – actual and budget regulatory basis, for each individual fund and the schedule of receipts and disbursements – agency funds – regulatory basis (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 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 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Interlocal No. 607 Tri-County Special Education Cooperative as of and for the year ended June 30, 2024 (not presented herein), and have issued our report thereon dated November 30, 2024, which contained an unmodified opinion on the basic financial statement. The 2024 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2024 actual column (2024 comparative information) presented in the schedule of receipts and expenditures – actual and budget regulatory basis, for each individual fund, for the year ended June 30, 2025 (Schedule 1 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 2024 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 2024 basic financial statement. The 2024 comparative information was subjected to the auditing procedures applied in the audit of the 2024 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 2024 basic financial statement or to the 2024 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 2024 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, 2024, on the basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2026, on our consideration of the Interlocal No. 607 Tri-County Special Education 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 Interlocal No. 607 Tri-County Special Education 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 Interlocal No. 607 Tri-County Special Education Cooperative's internal control over financial reporting and compliance.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
January 16, 2026

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Fiscal Year Ended June 30, 2025

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Ending Cash Balances June 30, 2025
General	$ 927,656.67	$ 11,309,477.90	$ 11,543,387.43	$ 693,747.14	$ 1,059,529.78	$ 1,753,276.92
Special Purpose Funds:						
Inservice	96,683.29	79,528.24	44,638.90	131,572.63	1.52	131,574.15
Spectra	1,443,060.15	2,196,913.73	2,606,664.76	1,033,309.12	250,682.64	1,283,991.76
SEK Academy General	1,080,331.70	987,092.00	844,213.43	1,223,210.27	101,885.18	1,325,095.45
Facilities Budget	139,651.61	49,999.92	33,795.46	155,856.07	-	155,856.07
Continuous Improvement	-	71,872.00	71,872.00	-	-	-
Total Reporting Entity (Excluding Agency Funds)	$ 3,687,383.42	$ 14,694,883.79	$ 15,144,571.98	$ 3,237,695.23	$ 1,412,099.12	$ 4,649,794.35

Composition of Cash	
Activity Checking Account	$ 18,363.81
Petty Cash Checking	1,500.00
Interlocal Checking	4,648,294.35
Total Cash	4,668,158.16
Less Agency Funds per Schedule 2	(18,363.81)
Total Reporting Entity (Excluding Agency Funds)	$ 4,649,794.35

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

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas

Notes to the Financial Statement
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of Interlocal No. 607 Tri-County Special Education Cooperative (the Interlocal), have been prepared in order to show compliance with the cash basis laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Interlocal's accounting policies follow. Note 1 describes how the Interlocal's accounting policies differ from accounting principles generally accepted in the United States of America.

Financial Reporting Entity

The Interlocal is an Interlocal agency organized pursuant to K.S.A. 72-8230 and is governed by an appointed seven-member board. The board consists of members of participating Unified School District's Boards. Those Districts are USD No.'s 436, 445, 446, 447, 461, 484, and 503.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the Interlocal exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the Interlocal. Related municipal entities are not required to be included in the Interlocal's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG).

The Interlocal has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a related municipal entity in this financial statement.

Regulatory Basis Fund Types

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, for the year ended June 30, 2025:

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 cash receipts sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Agency fund – funds used to report assets held by the interlocal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection account, etc.).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Regulatory Basis of Accounting

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 cash 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 municipality to use the regulatory basis of accounting.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as cash receipts. In the financial statement and budget comparison schedules presented in this report, reimbursements and refunds are recorded as cash receipts. The reimbursements are recorded as cash receipts when received by the Interlocal Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Pension Plan

Substantially all full-time Interlocal employees are members of the State of Kansas Public Employees Retirement System which is a multi-employer state-wide pension plan. The Interlocal's policy is the State of Kansas will fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

All budgets are prepared for internal use only, therefore, expenditures exceeding budgeted amounts do not constitute a violation in accordance with Kansas statutes.

Statement 1 has been prepared in order to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the Interlocal was in apparent compliance.

3. 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 branch 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 deposit 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.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Interlocal's deposits may not be returned to it. State statutes require the Interlocal's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2025.

At year-end, the Interlocal's carrying amount of deposits was $4,668,158.16, and the bank balance was $4,865,255.49. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000.00 was covered by FDIC insurance and $4,615,255.49 was collateralized with securities held by the pledging financial institution's agents in the Interlocal's name.

4. DEFINED BENEFIT PENSION PLAN

Plan description. The Interlocal 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.

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 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.

4. DEFINED BENEFIT PENSION PLAN (Continued)

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 13.38% and 12.57%, respectively, for the fiscal year ended June 30, 2024. The actuarially determined employer contribution rate and the statutory contribution rate was 11.60% and 11.54% for the fiscal year ended June 30, 2025.

The 2015 Legislature passed and the Governor approved Senate Bill 228 authorizing the issuance of $1.0 billion in pension obligation bonds to fund a portion of the School-Group's unfunded actuarial liability. The bonds were successfully issued in August 2015 and the proceeds transferred to the System.

The 2021 Legislature passed House Bill 2405, which authorizes the State of Kansas to issue pension obligation bonds, series 2021K, net proceeds of $500 million to fund a portion of the School-Group's unfunded actuarial liability. 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 paid off outstanding accounts receivable for KPERS-School employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019 while the remaining $871.1 million was applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2022, $600 million was transferred in May/June 2022.

In addition, Senate Bill 421 authorizes two additional transfers in Fiscal Year 2023 which totaled $271.1 million. The first transfer of $146.1 million was received on August 1, 2022. The second transfer of $125 million was received on December 1, 2022.

The State of Kansas is required to contribute the statutory required employer's share except for retired Interlocal employees. The State contributed amounts equal to the statutory contribution rate, which totaled $773,421.61 for the year ended June 30, 2025. The Interlocal is responsible for the employer's portion of the cost for retired Interlocal employees. The working after retirement contribution was $2,599.43, for the fiscal year ended June 30, 2025.

Net Pension Liability

At June 30, 2025, the Interlocal's proportionate share of the collective net pension liability reported by KPERS was $18,760.00. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, which was rolled forward to June 30, 2024. The Interlocal's proportion of the net pension liability was based on the ratio of the Interlocal'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, 2024. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statement.

4. DEFINED BENEFIT PENSION PLAN (Continued)

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.

Death and Disability Other Post-Employment Benefits
As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended June 30, 2025.

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences
Sick Leave
The board will provide sick leave of ten days at the beginning of the contract year for all certified staff. The sick leave will be credited on the first day taught and will be prorated if a staff member is employed for less than full time or a complete year. Leaves of less than one half day will be counted as one half day, more than one half day will be counted as one full day.· Sick leave can accumulate to fifty days for a maximum of sixty days of usable sick leave per school term. If the staff member does not have fifty days accumulated leave, the days remaining at the end of the contract year will be credited to accumulated leave and carried to the next contract year. The ten days granted under the Temporary Leave fund must be used before any accumulated leave may be used. Sick leave may be used for sickness, disability, and bereavement.

Temporary Leave
A Temporary Leave Fund will be established for each certified staff member with fifty accumulated sick leave days prior to the current contract year for $750.00 (10 days at $75.00 per day). Each absence, sick leave and bereavement leave, will cause a reduction to be charged to the fund. The amount remaining in the fund at the end of the contract year will be paid on or before the June 15th paycheck, provided the staff member has accumulated leave of fifty days remaining. Temporary leave days per school term for those eligible must be charged before a staff member can draw on accumulated leave.

Personal Leave
Personal business leave must be requested in advance and on the proper form provided by the Director. Two days personal business leave will be allowed for all certified/licensed staff each year. Certified/licensed staff may not take personal business leave on the day preceding or the day following a holiday or during the first and last week of school except under extenuating circumstances and with the Director's approval. For employees with five

or more years of experience, one unused personal leave day per year can be added to the following year with a total accumulation not to exceed three personal leave days. Teachers that have at least five years continuous employment with Tri-County Special Education Cooperative No. 607 will be paid $75.00 for one unused personal leave, as long as they began the school year with three accumulated days of personal leave and have not used over one of those days by the end of the school year.

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

The Interlocal accrues a liability for compensated absences which meet the following criteria:

1) The Interlocal's obligation relating to employees' rights to receive compensation for future absences is attributed to employee's services already rendered.
2) The obligation relates to rights that vest or accumulate.
3) Payment of the compensation is probable.
4) The amount can be reasonably estimated.

In accordance with the above criteria, the Interlocal has estimated a liability for leave pay, which has been earned, but not taken by Interlocal employees of $2,925.00. The Interlocal has not accrued a liability for sick leave earned, but not taken, by Interlocal employees, as the amounts cannot be reasonably estimated at this time.

Other Post Empolyment Benefits

As provided by K.S.A. 12-5040, the Interlocal allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Interlocal 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 these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage.

6. RISK MANAGEMENT

The Interlocal is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Interlocal manages these risks of loss through the purchase of various insurance policies.

The Interlocal has joined together with other school boards in the State to participate in Kansas Association of School Boards Workers Compensation Fund, Inc (FUND), a public entity risk pool currently operating as a common risk management and insurance program for participating members. The Interlocal pays annual premium to the FUND for its workers' compensation insurance coverage. The agreement to participate provides that FUND will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of a stated dollar amount for each insurance event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by the FUND management.

7. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and state grantors. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Interlocal expects such amounts, if any, to be immaterial.

8. SUBSEQUENT EVENTS

The Interlocal evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement. Additionally there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Local Sources				
Assessments from Districts	$ 3,785,099.04	$ 4,629,610.92	$ 4,629,611.00	$ (0.08)
Interest on Idle Funds	166,253.15	158,510.32	50,000.00	108,510.32
State Sources				
General State Aid	4,571,300.00	4,215,136.00	4,875,884.00	(660,748.00)
Federal Sources				
Special Education Aid VI-B	2,010,901.00	1,966,882.00	1,971,509.00	(4,627.00)
Special Education Aid ECH	50,821.00	50,686.00	46,050.00	4,636.00
Other Receipts				
Reimbursed Expense	67,779.83	59,776.47	15,000.00	44,776.47
Miscellaneous Receipts	84,331.95	228,876.19	66,500.00	162,376.19
Total Receipts	10,736,485.97	11,309,477.90	$ 11,654,554.00	$ (345,076.10)
Expenditures				
Instruction	9,078,711.00	9,066,357.78	$ 10,578,859.38	$ (1,512,501.60)
Support Services				
Student Support	714,284.94	749,314.29	1,408,177.06	(658,862.77)
Instructional Support	406,532.01	595,449.60	415,058.28	180,391.32
Central Administration	703,063.94	712,707.69	810,070.49	(97,362.80)
General Administration	156,277.27	197,937.93	171,177.69	26,760.24
Operations and Maintenance	86,758.79	92,317.07	122,525.88	(30,208.81)
Transportation Services	137,826.77	124,086.05	215,979.00	(91,892.95)
Operation of Non-Instruction Services				
Other Supplemental Services	6,418.63	5,217.02	14,000.00	(8,782.98)
Total Expenditures	11,289,873.35	11,543,387.43	$ 13,735,847.78	$ (2,192,460.35)
Receipts Over (Under) Expenditures	(553,387.38)	(233,909.53)		
Unencumbered Cash, Beginning	1,481,044.05	927,656.67		
Unencumbered Cash, Ending	$ 927,656.67	$ 693,747.14		

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas
INSERVICE FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Local Sources				
Assessments from Districts	$ 75,000.00	$ 75,000.24	$ 75,000.00	$ 0.24
State Sources				
General State Aid	6,740.75	4,528.00	-	4,528.00
Total Receipts	81,740.75	79,528.24	$ 75,000.00	$ 4,528.24
Expenditures				
Instruction	17,324.48	12,422.34	$ 30,000.00	$ (17,577.66)
Support Services				
Student Support	10,518.47	7,653.12	16,000.00	(8,346.88)
Instructional Support	48,415.79	22,180.92	86,240.25	(64,059.33)
Central Administration	6,515.56	2,382.52	11,350.00	(8,967.48)
Total Expenditures	82,774.30	44,638.90	$ 143,590.25	$ (98,951.35)
Receipts Over (Under) Expenditures	(1,033.55)	34,889.34		
Unencumbered Cash, Beginning	97,716.84	96,683.29		
Unencumbered Cash, Ending	$ 96,683.29	$ 131,572.63		

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas
SPECTRA FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Local Sources				
Medicaid Fees for Service	$ 695,359.93	$ 559,284.81	$ 623,113.56	$ (63,828.75)
Assessments from Districts	740,000.00	499,999.92	500,000.00	(0.08)
Medicaid Replacement	267,270.00	250,325.00	270,000.00	(19,675.00)
State Sources				
General State Aid	881,173.00	887,304.00	985,389.65	(98,085.65)
Total Receipts	2,583,802.93	2,196,913.73	$ 2,378,503.21	$ (181,589.48)
Expenditures				
Instruction	8,344.00	22,474.55	$ 22,534.88	$ (60.33)
Support Services				
Student Support	2,492,499.66	2,518,787.19	2,995,740.34	(476,953.15)
Instructional Support	35,029.53	33,096.72	56,000.00	(22,903.28)
General Administration	32,662.73	32,306.30	40,000.00	(7,693.70)
Total Expenditures	2,568,535.92	2,606,664.76	$ 3,114,275.22	$ (507,610.46)
Receipts Over (Under) Expenditures	15,267.01	(409,751.03)		
Unencumbered Cash, Beginning	1,427,793.14	1,443,060.15		
Unencumbered Cash, Ending	$ 1,443,060.15	$ 1,033,309.12		

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas
SEK ACADEMY GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Local Sources				
Assessments from Districts	$ 272,800.00	$ 316,800.00	$ 316,800.00	$ -
State Sources				
General State Aid	819,143.00	670,292.00	429,919.99	240,372.01
Federal Sources				
Federal Grant	30,000.00	-	-	-
Total Receipts	1,121,943.00	987,092.00	$ 746,719.99	$ 240,372.01
Expenditures				
Instruction	681,943.26	745,502.13	$ 1,077,905.96	$ (332,403.83)
Support Services				
Instructional Support	-	22.40	1,000.00	(977.60)
Central Administration	-	465.56	200.00	265.56
Operations and Maintenance	18,086.83	16,799.74	32,300.00	(15,500.26)
Transportation Services	82,089.61	79,204.63	111,799.50	(32,594.87)
Operation of Non-Instruction Services				
Other Supplemental Services	2,136.38	2,218.97	4,000.00	(1,781.03)
Total Expenditures	784,256.08	844,213.43	$ 1,227,205.46	$ (382,992.03)
Receipts Over (Under) Expenditures	337,686.92	142,878.57		
Unencumbered Cash, Beginning	742,644.78	1,080,331.70		
Unencumbered Cash, Ending	$ 1,080,331.70	$ 1,223,210.27		

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas
FACILITIES BUDGET FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Local Sources				
Assessments from Districts	$ 50,000.00	$ 49,999.92	$ 50,000.00	$ (0.08)
Total Receipts	50,000.00	49,999.92	$ 50,000.00	$ (0.08)
Expenditures				
Support Services				
Operations and Maintenance	48,436.00	33,795.46	$ 132,000.00	$ (98,204.54)
Building Improvements	26,527.36	-	-	-
Total Expenditures	74,963.36	33,795.46	$ 132,000.00	$ (98,204.54)
Receipts Over (Under) Expenditures	(24,963.36)	16,204.46		
Unencumbered Cash, Beginning	164,614.97	139,651.61		
Unencumbered Cash, Ending	$ 139,651.61	$ 155,856.07		

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas
CONTINUOUS IMPROVEMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Federal Sources				
Federal Grant	$ 71,872.00	$ 71,872.00	$ 71,972.00	$ (100.00)
Total Receipts	71,872.00	71,872.00	$ 71,972.00	$ (100.00)
Expenditures				
Instruction	68,872.00	68,872.00	$ 68,872.00	$ -
Support Services				
Central Administration	3,000.00	3,000.00	3,000.00	-
Total Expenditures	71,872.00	71,872.00	$ 71,872.00	$ -
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	$ -	$ -		

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas
ELEMENTARY AND SECONDARY SCHOOL EMERGERCY RELIEF III FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Federal Sources		
ESSER Grant Proceeds	$ 162,160.00	$ -
Total Receipts	162,160.00	-
Expenditures		
Instruction	569.85	-
Support Services		
General Administration	139.49	-
Total Expenditures	709.34	-
Receipts Over (Under) Expenditures	161,450.66	-
Unencumbered Cash, Beginning	(161,450.66)	-
Unencumbered Cash, Ending	$ -	$ -

Schedule 2

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas
AGENCY FUNDS
Schedule of Receipts and Disbursement
Regulatory Basis
For the Fiscal Year Ended June 30, 2025

	Beginning Cash Balances	Receipts	Disbursements	Ending Cash Balances
Agency Funds				
Tri-Co	$ 18,405.64	$ 22,072.77	$ 22,114.60	$ 18,363.81

INTERLOCAL NO. 607
TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence Kansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Assistance Listing Number	Provided to Sub Recipients	Cash Receipts	Disbursements Expenditures
U.S. DEPARTMENT OF EDUCATION					
Passed through the Kansas Department of Education					
Special Education Cluster (IDEA)					
Grants to States - IDEA, Part B - Discretionary	HAVDEZ1Z42	84.027	$ -	$ 71,872.00	$ 71,872.00
Grants to States - IDEA, Part B	H027A240031	84.027A	-	1,966,882.00	1,966,882.00
		Total 84.027	-	2,038,754.00	2,038,754.00
Preschool Grants - IDEA Preschool	H173A240034	84.173A	-	50,686.00	50,686.00
	Total Special Education Cluster (IDEA)		-	2,089,440.00	2,089,440.00
Total U.S. Department of Education			-	2,089,440.00	2,089,440.00
TOTAL FEDERAL AWARDS			$ -	$ 2,089,440.00	$ 2,089,440.00

Notes to the Schedule of Expenditures of Federal Awards:

NOTE A -- BASIS OF PRESENTATION

Federal expenditures are recorded on the accrual basis of accounting, which records expenses when the goods or services are received, and not necessarily when paid.

NOTE B -- INDIRECT COST RATE

Interlocal No. 607, Tri-County Special Education Cooperative did not elect to use the de minimis cost rate.

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*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Interlocal No. 607 Tri-County Special Education Cooperative
Independence, Kansas

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 in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statement of Interlocal No. 607 Tri-County Special Education Cooperative, as of and for the year ended June 30, 2025 and the related notes to the financial statement, which collectively comprise the Interlocal's basic financial statement, and have issued our report thereon dated January 16, 2026.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the financial statement, we considered the Interlocal's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Interlocal's internal control. Accordingly, we do not express an opinion on the effectiveness of the Interlocal'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Interlocal'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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Interlocal'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 financial statement. 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 Interlocal's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Interlocal's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
January 16, 2026

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Interlocal No. 607 Tri-County Special Education Cooperative
Independence, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Interlocal No. 607 Tri-County Special Education Cooperative's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Interlocal No. 607 Tri-County Special Education Cooperative's major federal programs for the year ended June 30, 2025. Interlocal No. 607 Tri-County Special Education 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, Interlocal No. 607 Tri-County Special Education Cooperative complied, in all material respects, with the 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, 2025.

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 Interlocal No. 607 Tri-County Special Education 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 Interlocal No. 607 Tri-County Special Education 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 Interlocal No. 607 Tri-County Special Education 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 Interlocal No. 607 Tri-County Special Education 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 Interlocal No. 607 Tri-County Special Education Cooperative's compliance with the requirements of each major federal program as a whole.

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 Interlocal No. 607 Tri-County Special Education 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 Interlocal No. 607 Tri-County Special Education 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 Interlocal No. 607 Tri-County Special Education 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.

Purpose of This Report
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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
January 16, 2026

INTERLOCAL NO. 607 TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

I. SUMMARY OF AUDITORS' RESULTS

Financial Statement:
The auditor's report expresses an adverse opinion on the basic financial statement of Interlocal No. 607 Tri-County Special Education Cooperative on the Generally Accepted Accounting Principles (GAAP) basis of accounting and an unmodified opinion on the regulatory basis of accounting.

Internal Control over Financial Reporting:

Material weakness(es) identified?	____ Yes	__X__	No
Significant deficiencies identified?	____ Yes	__X__	None Reported
Noncompliance or other matters required to be reported under *Government Auditing Standards*	____ Yes	__X__	No

Federal Awards:

Internal control over major programs:			
Material weakness(es) identified?	____ Yes	__X__	No
Significant deficiencies identified?	____ Yes	__X__	None Reported

The auditor's report on compliance for the major federal award programs for Interlocal No. 607 Tri-County Special Education Cooperative expresses an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	__X__	No

Identification of major programs:

U.S. DEPARTMENT OF EDUCATION

Special Education Cluster (IDEA)	
Grants to States – IDEA Part B	Assistance Listing No. 84.027
Preschool Grants – IDEA Preschool	Assistance Listing No. 84.173

The threshold for distinguishing Types A and B programs was $750,000.00.

Auditee qualified as a low risk auditee?	____ Yes	__X__	No

II. FINANCIAL STATEMENT FINDINGS

NONE

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

INTERLOCAL NO. 607 TRI-COUNTY SPECIAL EDUCATION COOPERATIVE
Independence, Kansas

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2025

NONE