TRI-COUNTY SPECIAL EDUCATION COOPERATIVE NO. 607
INDEPENDENCE, KANSAS

FINANCIAL STATEMENT

FISCAL YEAR ENDED JUNE 30, 2022



LOYD GROUP, LLC

Certified Public Accountants

Tri-County Special Education Cooperative

Fiscal Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
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 Tri-County Special Education Cooperative No. 607, Kansas (Cooperative), a Municipal Financial Reporting Entity, 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 the Cooperative 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 the Cooperative 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 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 *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Cooperative, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 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.

Other Matter

The prior year's financial statement for the year ended June 30, 2021, was audited by another auditor, who expressed an unmodified opinion on regulatory basis of accounting, on December 3, 2021.

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 Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Cooperative's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures—actual and budget, individual fund schedules of regulatory basis receipts and expenditures—actual and budget, schedule of regulatory basis receipts and disbursements—cooperative activity funds (Schedules 1, 2, and 3 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 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.

Another auditor previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Tri-County Special Education Cooperative No. 607 as of and for the year ended June 30, 2021 (not presented herein), and have issued their report thereon dated December 3, 2021, which contained an unmodified opinion on the basic financial statement. The 2021 basic financial statement and their 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/municipalservices. 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 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement of Tri-County Special Education Cooperative No. 607, Kansas. 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 also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statement as a whole, 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, 2023, on our consideration of Tri-County Special Education Cooperative No. 607'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 Tri-County Special Education Cooperative No. 607'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 Tri-County Special Education Cooperative No. 607's internal control over financial reporting and compliance.

Loyd Group, LLC

Loyd Group, LLC
Galva, KS
January 16, 2023

Tri-County Special Education Cooperative
Independence, Kansas

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Regulatory Basis
For the Year Ended June 30, 2022

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL FUND:						
General Fund	$ 2,063,623	$ 10,150,651	$ 10,556,570	$ 1,657,704	$ -	$ 1,657,704
SPECIAL PURPOSE FUNDS:						
Inservice Fund	51,053	67,004	51,540	66,517	-	66,517
SPECTRA Fund	611,245	2,829,854	2,253,103	1,187,996	116	1,188,112
SEK Academy General Fund	416,275	1,177,766	777,145	816,896	-	816,896
Facilities Budget Fund	170,108	50,000	46,783	173,325	-	173,325
Continuous Improvement Grant Fund	-	39,707	71,443	(31,736)	3,310	(28,426)
ESSER II Fund	(4,215)	219,628	318,968	(103,555)	43,560	(59,995)
ESSER III Fund	-	-	15,350	(15,350)	-	(15,350)
Tri-Co Fund	15,756	10,647	11,525	14,878	-	14,878
Total Reporting Entity	$ 3,323,845	$ 14,545,257	$ 14,102,427	$ 3,766,675	$ 46,986	$ 3,813,661

COMPOSITION OF CASH:	
Checking - Community National	$ 3,068,905
CD - Community National	728,378
Tri-Co Checking	14,878
Petty cash	1,500
Total Reporting Entity (Excluding Agency Funds)	$ 3,813,661

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

Tri-County Special Education Cooperative No. 607

NOTES TO THE FINANCIAL STATEMENT

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Municipal Financial Reporting Entity

The Tri County Special Education Cooperative (the "Cooperative") is a municipal corporation governed by an elected seven member board, representing each participating district of the inter-local. This regulatory financial statement presents the Cooperative, a municipality.

(b) Regulatory Basis Fund Types

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

Special Purpose Funds—used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

(c) Basis of Accounting

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

(d) Budgetary Information

The Cooperative is not subject to the Kansas statutes that require an annual operating budget be legally adopted for any of its funds. While the Cooperative is not legally required to publish and adhere to a budget, it does prepare an annual budget to help the governing body control spending and expenditures in the various funds. Since the Cooperative is not subject to budgetary statutes, expenditures may exceed the amount budgeted without consequence. Even though fund expenditures may exceed budgeted amounts, the Cooperative's funds are still subject to the cash basis statutes requiring enough cash be available to cover all expenditures and encumbrances.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. The ESSER II Fund has negative unencumbered cash balances at June 30, 2021, which is allowable under Kansas Statute 12-1663. The Continuous Improvement Grant Fund, ESSER II Fund and ESSER III Fund have negative unencumbered cash balances at June 30, 2022, which is allowable under Kansas Statute 12-1663. These funds will be reimbursed in the following fiscal year from the federal grant program.

Deposits were not adequately secured as of June 30, 2022 per statue K.S.A. 9-1402 and K.S.A. 9-1405.

3. DEPOSITS AND INVESTMENTS

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

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

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

Custodial credit risk. Custodial credit risk is the risk that in the event of bank failure, the Cooperative's deposits may not be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were not legally secured at June 30, 2022.

At year end, the carrying amount of the Cooperative's deposits was $3,813,661 and the bank balance was $5,178,404. The bank balance was held by two bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by FDIC insurance, $4,775,733 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name, leaving $152,671 uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of failure of the issuer or counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

4. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

(a) Other Post-Employment Benefits

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

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

4. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONT.)

(b) Compensated Absences (Cont.)

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 24th 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. DEFINED BENEFIT PENSION PLAN

Plan Description. The Cooperative participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing , multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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.

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 1.00% contribution rate for the Death and Disability Program) was 15.59% and 14.23%, respectively, for the fiscal year ended June 30, 2021. The actuarially determined employer contribution rate and the statutory contribution rate was 14.83% and 13.33%, respectively, for the fiscal year ended June 30, 2022.

5. DEFINED BENEFIT PENSION PLAN (CONT.)

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

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

The State of Kansas is required to contribute the statutory required employer's share. Since the Cooperative is considered a special funding situation, the Cooperative was not required to contribute amounts equal to the statutory contribution rate for the year ended June 30, 2022. However, the Cooperative is required to contribute towards employees working after retirement. The working after retirement contribution was $1,368, for the fiscal year ended June 30, 2022.

Net Pension Liability: The Cooperative is considered a special funding situation. The State contributes 100% of the contractually required employer contributions. However, they do make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A 74-4937, "working after retirement" employees. The resulting proportional share of the "working after retirement" contributions and resulting net pension liability are attributable to the employer. At June 30, 2022, the State's proportionate share of the collective net pension liability, as it relates to the Cooperative, as reported by KPERS, was $9,312,285. At June 30, 2022, the Cooperative's proportionate share of the collective net pension liability, as reported by KPERS, was $10,930. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. The Cooperative's proportion of the net pension liability was based on the ratio of the Cooperative's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2021. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

6. CLAIMS AND JUDGMENTS

The Cooperative participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Cooperative may be required to reimburse the grantor government. As of the date of this report, grant expenditures have not been audited, but the Cooperative believes that disallowed expenditures or overpayments, if any, will not have a material effect on the individual governmental funds or the overall financial position of the Cooperative.

During the ordinary course of its operations, the Cooperative is a party to various claims, legal actions and complaints. It is the opinion of the Cooperative's management and legal counsel that these matters are not anticipated to have a material impact on the Cooperative.

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Cooperative has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2021 to 2022, and there were no settlements that exceeded insurance coverage during the past three years.

7. SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statements of subsequent events occurring through the date of this report, which is the date at which the financial statement was available to be issued.

TRI-COUNTY SPECIAL EDUCATION COOPERATIVE NO.607

REGULATORY-REQUIRED SUPPLEMENTAL INFORMATION

FISCAL YEAR ENDED JUNE 30, 2022

Tri-County Special Education Cooperative No. 607

GENERAL FUND

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)

	2021 Actual	2022 Actual
Receipts:		
District assessments	$ 3,181,829	$ 3,398,920
Categorical pass through funds	4,830,097	4,793,879
Federal funds	1,841,415	1,842,565
Interest on idle funds	12,569	13,682
Reimbursement	98,649	68,486
Miscellaneous	11,533	32,084
Donations	1,082	1,035
CARES Act	108,507	-
Total Receipts	10,085,681	10,150,651
Expenditures:		
Instruction -		
Certified salaries	3,790,437	4,052,295
Non-certified salaries	1,581,747	1,845,899
Insurance	1,402,353	1,358,448
Social Security	406,897	452,196
Other benefits	15,137	11,596
Purchased professional services	540,222	547,477
Other purchased services	18,614	15,565
Supplies	6,083	7,009
Property and equipment	7,098	7,140
Other	2,090	2,517
Student Support Services -		
Non-certified salaries	499,708	473,531
Insurance	253,989	210,665
Social Security	50,888	79,282
Other benefits	1,821	2,427
Supplies - technology	297	410
Instruction Support Staff -		
Certified salaries	290,803	301,263
Insurance	41,489	42,224
Social Security	21,625	22,108
Other benefits	2,822	1,674
Other	1,799	6,446
Supplies	982	771

Tri-County Special Education Cooperative No. 607

GENERAL FUND

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)

	2021 Actual	2022 Actual
Expenditures (cont.):		
General Administration -		
Certified salaries	$ 208,500	$ 200,000
Non-certified salaries	215,574	202,518
Insurance	88,778	84,747
Social Security	30,891	31,570
Other benefits	21,029	22,215
Purchased professional services	35,294	37,075
Other purchased services	52,986	49,821
Supplies - technology	20,958	14,260
Property and equipment	1,893	3,807
Other	207	1,096
Central Services -		
Non-certified salaries	101,284	95,690
Insurance	8,832	7,838
Social Security	6,137	6,740
Other benefits	251	334
Purchased professional services	35,680	38,968
Other purchased services	11,326	11,422
Supplies - technology	11,050	1,668
Operations and Maintenance -		
Non-certified salaries	12,655	10,082
Social Security	993	765
Other benefits	508	643
Purchased property services	3,991	3,412
Other purchased services	26,532	27,131
Supplies - technology	18,108	15,818

Tri-County Special Education Cooperative No. 607

GENERAL FUND

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)

	2021 Actual	2022 Actual
Expenditures (cont.):		
Student Transportation Services -		
Supervision -		
Non-certified salaries	$ 33,956	$ 44,621
Insurance	14,005	28,453
Social Security	4,422	5,808
Property & equipment	-	138,516
Supplies - technology	19,783	23,228
Food Services -		
Supplies	2,521	-
Other Supplemental Services -		
Purchased professional services	-	5,270
Supplies	-	2,111
Total Expenditures	9,925,045	10,556,570
Receipts Over (Under) Expenditures	160,636	(405,919)
Unencumbered Cash, Beginning	1,902,987	2,063,623
Unencumbered Cash, Ending	$ 2,063,623	$ 1,657,704

Tri-County Special Education Cooperative No. 607

SPECIAL PURPOSE FUND

INSERVICE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	2021 Actual	2022 Actual
Receipts:		
School Districts	$ 70,000	$ 67,004
State Aid	2,746	-
Total Receipts	72,746	67,004
Expenditures:		
Instruction -		
Other benefits	-	57
Other Purchased services	4,457	10,415
Student support services -		
Certified salaries	10,722	25,609
Social Security	832	2,053
Other Purchased services	5,449	10,082
Central administration -		
Other Purchased services	233	3,324
Total Expenditures	21,693	51,540
Receipts Over (Under) Expenditures	51,053	15,464
Unencumbered Cash, Beginning	-	51,053
Unencumbered Cash, Ending	$ 51,053	$ 66,517

Tri-County Special Education Cooperative No. 607

SPECIAL PURPOSE FUND

SPECTRA FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	2021 Actual	2022 Actual
Receipts:		
SEK Educational Service Center	$ 1,103,591	$ 1,290,313
USD's - Tuition	740,000	740,000
Categorical pass through funds	791,813	799,541
Miscellaneous	25	-
Total Receipts	2,635,429	2,829,854
Expenditures:		
Instruction -		
Certified salaries	1,459,284	1,617,923
Insurance	149,578	164,404
Social Security	109,470	122,341
Other benefits	25,554	26,234
Purchased professional services	430,649	171,978
Other purchased services	49,778	63,006
Supplies	21,890	28,340
Property and equipment	20,307	25,370
Other	28,792	33,507
Total Expenditures	2,295,302	2,253,103
Receipts Over (Under) Expenditures	340,127	576,751
Unencumbered Cash, Beginning	271,118	611,245
Unencumbered Cash, Ending	$ 611,245	$ 1,187,996

Tri-County Special Education Cooperative No. 607

SPECIAL PURPOSE FUND

SEK ACADEMY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	2021 Actual	2022 Actual
Receipts:		
Categorical pass through funds	$ 331,662	$ 527,270
Federal funds	30,000	30,000
School districts	607,500	610,496
Other	8,780	10,000
Total Receipts	977,942	1,177,766
Expenditures:		
Instruction -		
Certified salaries	151,440	349,487
Non-certified salaries	110,728	135,537
Insurance	85,804	97,746
Social Security	25,787	37,565
Other benefits	1,501	1,975
Other purchased services	7,070	9,401
Supplies	427	1,547
Property and equipment	1,588	15,710
Other	3,945	8,322
Operations and maintenance -		
Purchased property services	3,041	15,171
Other purchased services	2,196	3,316
Supplies	5,938	7,878
Student transportation services -		
Non-certified salaries	32,458	28,136
Social Security	2,472	2,099
Other benefits	1,370	1,734
Other purchased services	7,130	8,485
Supplies	15,280	25,235
Property and equipment	-	24,767
Instruction Support Services -		
Certified salaries	206,710	-
Food service	11,175	-
Repairs	1,688	3,034
Total Expenditures	677,748	777,145
Receipts Over (Under) Expenditures	300,194	400,621
Unencumbered Cash, Beginning	116,081	416,275
Unencumbered Cash, Ending	$ 416,275	$ 816,896

Tri-County Special Education Cooperative No. 607

SPECIAL PURPOSE FUND

FACILITY BUDGET FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	2021 Actual	2022 Actual
Receipts:		
School districts	$ 73,090	$ 50,000
Expenditures:		
Repairs	18,729	43,559
Renovations & Remodeling	2,733	3,224
Total Expenditures	21,462	46,783
Receipts Over (Under) Expenditures	51,628	3,217
Unencumbered Cash, Beginning	118,480	170,108
Unencumbered Cash, Ending	$ 170,108	$ 173,325

Tri-County Special Education Cooperative No. 607

SPECIAL PURPOSE FUND

CONTINOUS IMPROVEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	2021 Actual	2022 Actual
Receipts:		
Federal Funds	$ 71,443	$ 39,707
Expenditures:		
Instruction -		
Certified salaries	13,174	17,100
Social Security	968	1,284
Purchased professional services	23,028	22,552
Other purchased services	8,245	6,125
Supplies	23,457	21,811
Central Services -		
Other purchased services	2,571	2,571
Total Expenditures	71,443	71,443
Receipts Over (Under) Expenditures	-	(31,736)
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ (31,736)

Tri-County Special Education Cooperative No. 607

SPECIAL PURPOSE FUND

ESSER II FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	2021 Actual	2022 Actual
Receipts:		
Federal funds	$ -	$ 219,628
Expenditures:		
USD expenses	4,215	318,968
Receipts Over (Under) Expenditures	(4,215)	(99,340)
Unencumbered Cash, Beginning	-	(4,215)
Unencumbered Cash, Ending	$ (4,215)	$ (103,555)

Tri-County Special Education Cooperative No. 607

SPECIAL PURPOSE FUND

ESSER III FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	2021 Actual	2022 Actual
Receipts:		
Grants	$ -	$ -
Expenditures:		
Instruction -		
Supplies	-	15,350
Receipts Over (Under) Expenditures	-	(15,350)
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ (15,350)

SCHEDULE 3

Tri-County Special Education Cooperative No. 607

COOPERATIVE ACTIVITY FUNDS

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
Regulatory Basis
For the Year Ended June 30, 2022

	Beginning Cash Balance	Receipts	Disbursements	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Tri-Co	$ 15,756	$ 10,647	$ 11,525	$ 14,878	$ -	$ 14,878

LOYD GROUP, LLC

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

Board of Directors
Tri-County Special Education Cooperative No. 607
Independence, KS 67301

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, and the Kansas Municipal Audit and Accounting Guide, the financial statement of Tri-County Special Education Cooperative No. 607, Kansas, (Cooperative) as of and for the year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Cooperative's basic financial statement, and have issued our report thereon dated January 16, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Loyd Group, LLC

Loyd Group, LLC
Galva, KS
January 16, 2023

LOYD GROUP, LLC

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

Board of Directors
Tri-County Special Education Cooperative No. 607
Independence, KS 67301

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Tri-County Special Education Cooperative No. 607's (the Cooperative) 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 the Cooperative's major federal programs for the year ended June 30, 2022. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Cooperative, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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 *Kansas Municipal Audit and Accounting Guide;* the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Cooperative's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cooperative's

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cooperative's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cooperative's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Loyd Group, LLC

Loyd Group, LLC
Galva, KS
January 16, 2023

Tri-County Special Education Cooperative No. 607
Independence, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/ Pass Through Grantor/ Program Title	Federal Assistance Listing	Grant Number	Disbursements/ Expenditures
U.S. Department of Education			
Passed Through State Department of Education			
Special Education Cluster (IDEA)			
Special Education - IDEA Part B - Discretionary	84.027		$ 1,825,928
Special Education - VIB - Part B	84.027		71,443
Special Education - IDEA Preschool	84.173		47,077
Total Special Education Cluster (IDEA)			1,944,448
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D		334,318
TOTAL U.S. DEPARTMENT OF EDUCATION			2,278,766
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			$ 2,278,766

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Tri-County Special Education Cooperatinve No. 607, Independence, Kansas (the Cooperative), under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Cooperative. The Schedule is presented using a regulatory basis of accounting prescribed by the Kansas Municipal Audit and Accounting Guide (as described in Note 1 to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The Cooperative has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Funds Expended

Funds where Federal expenditures were receipted and expended:

Elementary and Secondary School Emergency Relief II Fund	$ 318,968
Elementary and Secondary School Emergency Relief III Fund	15,350
SEK Academy Fund	30,000
General Fund	1,843,005
Continous Improvement Fund	71,443
Total	$ 2,278,766

Tri-County Special Education Cooperative
Independence, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section 1 – Summary of Auditor's Results

Financial Statements

1. Type of auditor's opinion issued on whether the financial statements audited were prepared in accordance with GAAP:	Adverse
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	None Reported
3. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	None Reported
2. Type of auditor's report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
4. Identification of major programs:	

Name of Federal Program or Cluster	CFDA Number
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173

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

Section 2 – Findings – Financial Statement Audit

There were no reportable findings.

Section 3 – Findings and Questioned Costs – Major Federal Award Programs

U.S. DEPARTMENT OF EDUCATION

Special Education Cluster – Federal Assistance Listing Numbers 84.027 and 84.173

There were no reportable findings.