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

AUDITORS' REPORT & FINANCIAL STATEMENT

June 30, 2021

TRI-COUNTY SPECIAL EDUCATION COOPERATIVE NO. 607

For the Fiscal Year Ended
June 30, 2021
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YERKES & MICHELS, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANTS
American Institute of Certified Public Accountants, Kansas Society of Certified Public Accountants

John D. Carroll, CPA Emily S. Vail, CPA Ashley R. Osburn, CPA, MBAA

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statement

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Tri-County Special Education Cooperative No. 607, Independence, Kansas, as of and for the year ended June 30, 2021 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As described in Note 1 of the financial statement, the financial statement is prepared by the Tri-County Special Education Cooperative No. 607 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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Tri-County Special Education Cooperative No. 607, as of June 30, 2021 or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Tri-County Special Education Cooperative No. 607, as of June 30, 2021, 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.

Other Matters
Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures (Schedule 1 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement; however, they are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards (Schedule 2 as listed in the table of contents) is required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 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 Tri-County Special Education Cooperative No. 607 as of and for the year ended June 30, 2020 (not presented herein), and

have issued our report thereon dated February 6, 2021, which contained an unmodified opinion on the basic financial statement. The June 30, 2020 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link http://admin.ks.gov/offices/chief-financial-officer/municipal-services. The June 30, 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures for the year ended June 30, 2021 (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 June 30, 2020 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 June 30, 2020 basic financial statement. The June 30, 2020 comparative information was subjected to the auditing procedures applied in the audit of the June 30, 2020 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 June 30, 2020 basic financial statement or to the June 30, 2020 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 June 30, 2020 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, 2020, 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 December, 3, 2021, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Yerkes & Michels

YERKES & MICHELS, CPA, LLC
Independence, Kansas

December 3, 2021

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

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
Regulatory Basis
For the Fiscal Year Ended June 30, 2021

Fund	Beginning Unencumbered Cash Balance July 1, 2020	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance June 30, 2020	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance June 30, 2020
Governmental Type Funds:							
General Fund	$ 1,902,987.11	$ -	$ 10,085,681.57	$ 9,925,045.26	$ 2,063,623.42	$ 655.41	$ 2,064,278.83
Special Purpose Funds:							
Inservice Fund	-	-	72,746.00	21,693.33	51,052.67	112.85	51,165.52
SPECTRA Fund	271,117.83	-	2,635,429.25	2,295,302.26	611,244.82	-	611,244.82
SEK Academy General Fund	116,080.79	-	977,942.00	677,747.30	416,275.49	-	416,275.49
Facilities Budget Fund	118,479.63	-	73,090.00	21,461.61	170,108.02	-	170,108.02
Continuous Improvement Grant Fund	-	-	71,443.00	71,443.00	-	1,389.23	1,389.23
Tri-Co Fund	17,392.90	-	11,183.08	12,820.24	15,755.74	-	15,755.74
ESSER 2 Monies Fund	-	-	-	4,215.42	(4,215.42)	610.05	(3,605.37)
Total Reporting Entity	$ 2,426,058.26	$ -	$ 13,927,514.90	$ 13,029,728.42	$ 3,323,844.74	$ 2,767.54	$ 3,326,612.28

Composition of Cash

COMMUNITY NATIONAL BANK, INDEPENDENCE, KANSAS		
Checking Account - Operating	$ 2,583,523.18	
Checking Account - Petty Cash	1,500.00	
Checking Account - Savings	725,833.36	
Checking Account - Tri-Co	15,755.74	3,326,612.28
Total		$ 3,326,612.28

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

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

NOTES TO FINANCIAL STATEMENT

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1A. MUNICIPAL FINANCIAL REPORTING ENTITY

Tri-County Special Education Cooperative No. 607 (Cooperative) is a municipal corporation governed by an appointed seven-member board. The regulatory basis financial statements include the transactions of the primary government.

The Cooperative's summary of receipts, expenditures and unencumbered cash includes the accounts of all the Cooperative's operations. The Cooperative's major operation is to develop and provide individualized student programming that promotes positive relationships and leads to meaningful student outcomes. The administrative office is centrally located and supported by seven Unified School Districts through a cooperative inter-local agreement. The scope of the entity for financial reporting purposes is designed as those funds for which the Cooperative has oversight responsibility and is primarily accountable. Fiscal management responsibility is control of the collection and disbursement of funds. The Cooperative is governed by a board consisting of one representative from each of the seven participating school districts.

1B. BASIS OF PRESENTATION AND 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 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 municipality 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.

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities.

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 regulatory liabilities and residual equities or balances, and changes therein, which are

TRI-COUNTY SPECIAL EDUCATION
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INDEPENDENCE, KANSAS

NOTES TO FINANCIAL STATEMENT

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1B. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (cont'd)

segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1C. – 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.

1D. BUDGETARY INFORMATION

The budgetary process for Tri-County Special Education Cooperative is different from that of a Unified School District. Tri-County does not receive any local tax money directly. They prepare a budget which is approved by the Board, but not required to be published. Their main source of funds is from the Unified School Districts, which are members of the Cooperative, State of Kansas, and federal funding. Any local tax money received comes through the member Unified School Districts and is part of those Districts' published budget.

1E. REIMBURSEMENTS

The Cooperative records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2A. COMPLIANCE WITH KANSAS STATUTES AND OTHER FINANCE RELATED LEGAL MATTERS

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. The ESSER 2 Monies Fund has a negative unencumbered cash balance at June 30, 2021, which is allowable under Kansas Statute 12-1663. These funds will be reimbursed in the following fiscal year from federal and state grant programs respectively.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

2A. COMPLIANCE WITH KANSAS STATUTES AND OTHER FINANCE RELATED LEGAL MATTERS (cont'd)

Management of the Cooperative is not aware of any other violations of compliance with Kansas Statutes or violations of other finance related legal matters.

NOTE 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 its 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.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%.

At June 30, 2021, the Cooperative's carrying amount of deposits was $3,326,612.28. The bank balance was $4,578,714.77. Of the bank balance $250,000.00 was covered by federal depository insurance creating a custodial credit risk; however, the remaining $4,328,714.77 was collateralized with securities held by the pledging financial institution's agents in the Cooperative's name. There were no funds at risk at June 30, 2021.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Cooperative will not be able to recover the

NOTE 3 - DEPOSITS AND INVESTMENTS (cont'd)

value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At June 30, 2021, the Cooperative had no investments.

NOTE 4 – LONG–TERM DEBT

For the fiscal year ended June 30, 2021 the Cooperative had no long-term debt.

NOTE 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, etc. 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 ww.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 16.15% and 14.41%, respectively, for the fiscal year ended June 30, 2020. The actuarially determined employer contribution rate and the statutory contribution rate was 15.59% and 14.23% for the fiscal year ended June 30, 2021.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (cont'd)

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 except for retired Cooperative employees. The Cooperative is responsible for the employer's portion of the cost for retired Cooperative employees. The Cooperative received and remitted amounts equal to the statutory contribution rate, which totaled $500,089.26 for the year ended June 30, 2021.

Net Pension Liability

At June 30, 2021, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was $305,453.00. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. 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, 2020. 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 publicly available on the website at www.kpers.org or can be obtained as described above.

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

NOTES TO FINANCIAL STATEMENT

June 30, 2021

NOTE 6 - RISK MANAGEMENT

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 for which the Cooperative carries commercial insurance. Settlements of claims resulting from these risks have not exceeded coverage during the past three fiscal years.

NOTE 7 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

7A. Sick Leave

The board will provide sick leave of ten (10) 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 (50) days for a maximum of sixty (60) days of usable sick leave per school term. If the staff member does not have fifty (50) 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 (10) days granted under the Temporary Leave fund (see next paragraph) must be used before any accumulated leave may be used. Sick leave may be used for sickness, disability, and bereavement.

7B. Temporary Leave

A Temporary Leave Fund will be established for each certified staff member with fifty (50) 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 (50) days remaining. Temporary leave days (10) per school term for those eligible must be charged before a staff member can draw on accumulated leave.

7C. Personal Leave

Personal business leave must be requested in advance and on the proper form provided by the Director. Two (2) 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 (5) or more years of experience, one (1) unused

NOTE 7 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (cont'd)

7C. Personal Leave (cont'd)

personal leave day per year can be added to the following year with a total accumulation not to exceed three (3) 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 (1) unused personal leave, as long as they began the school year with three (3) accumulated days of personal leave and have not used over one of those days by the end of the school year.

7D. Vacation

Employees with 12 month contracts earn vacation according to the following schedule:

Years of Service	Vacation Earned
1-2	1 week
3-7	2 weeks
8-14	3 weeks
15 & over	4 weeks

The liability for accrued sick leave, temporary leave, personal leave and vacation days is not reflected on the financial statements. Neither the actual or estimated liability was available at June 30, 2021. The cost of vacation and sick pay are recognized as expenditures when paid.

7E. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the municipality allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the municipality 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. There is no cost to the Cooperative under this program.

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

NOTES TO FINANCIAL STATEMENT

June 30, 2021

NOTE 8– USE OF ESTIMATES

The preparation of regulatory basis financial statements required management to make estimates and assumptions that affect the reported amounts of expenditures during the audit period, encumbrances outstanding and disclosure of contingencies at the end of the audit period. Actual results could differ from the estimates.

NOTE 9 – CONTINGENT LIABILITIES

Management of the Cooperative and its Legal Counsel are not aware of any litigation involving the Cooperative at this time.

NOTE 10 – FLEXIBLE BENEFIT PLAN (I.R.C. SECTION 125)

The Board adopted a salary-reduction flexible benefit plan under Section 125 of the Internal Revenue Code. All full-time employees of the Cooperative are eligible to participate in the plan beginning the first day of the month following employment. Each employee may elect to reduce his or her salary to purchase benefits through the plan. Currently benefits offered through the plan involve health insurance, cancer insurance, childcare expenses and unreimbursed medical expenses.

NOTE 11 – MANAGEMENT REVIEW OF SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of financial statements issuance, December 3, 2021.

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

REGULATORY REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

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

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended June 30, 2021

(With Comparative Actual Totals for the Year Ended June 30, 2020)

GENERAL FUND

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
School Districts	$ 3,203,856.55	$ 3,181,829.10
USD's-State Pass Thru Funds	4,813,288.00	4,830,097.00
Federal Funds	1,801,021.00	1,841,415.00
CARES Act	-	108,507.00
Interest	13,140.03	12,569.34
Reimbursement of Expense	112,898.30	98,649.61
Miscellaneous	81.24	11,532.69
Donations	1,020.46	1,081.83
Transfers	-	-
TOTAL CASH RECEIPTS	$ 9,945,305.58	$ 10,085,681.57
EXPENDITURES		
Instruction	$ 7,977,670.05	$ 7,770,678.04
Student Support Services	939,323.85	806,702.70
Instructional Support Staff	351,974.07	359,520.57
Central Administration	729,110.08	850,669.84
Operations and Maintenance	88,109.98	62,786.74
Student Transportation Services	106,335.81	72,166.50
Food Service	4,172.96	2,520.87
Transfer	5,004.87	-
Prior Year Cancelled PO's	-	-
TOTAL EXPENDITURES	$ 10,201,701.67	$ 9,925,045.26
RECEIPTS OVER (UNDER) EXPENDITURES	$ (256,396.09)	$ 160,636.31
UNENCUMBERD CASH, BEGINNING	2,159,383.20	1,902,987.11
UNENCUMBERED CASH, ENDING	$ 1,902,987.11	$ 2,063,623.42

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

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended June 30, 2021

(With Comparative Actual Totals for the Year Ended June 30, 2020)

INSERVICE FUND

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
School Districts	$ 25,065.00	$ 70,000.00
Miscellaneous	195.00	-
State Aid	5,652.00	2,746.00
Transfer	5,004.87	-
TOTAL CASH RECEIPTS	$ 35,916.87	$ 72,746.00
EXPENDITURES		
Instruction	$ 13,003.53	$ 4,457.43
Student Support Services	27,652.42	17,002.87
Central Administration	4,561.23	233.03
TOTAL EXPENDITURES	$ 45,217.18	$ 21,693.33
RECEIPTS OVER (UNDER) EXPENDITURES	$ (9,300.31)	$ 51,052.67
UNENCUMBERD CASH, BEGINNING	9,300.31	-
UNENCUMBERED CASH, ENDING	$ -	$ 51,052.67

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

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended June 30, 2021

(With Comparative Actual Totals for the Year Ended June 30, 2020)

SPECTRA FUND

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
SEK Educational Service Center	$ 940,503.00	$ 1,103,591.27
USD's-Tuition	276,927.00	739,999.98
USD's-State Pass Thru Funds	777,395.00	791,813.00
Miscellaneous	6,663.00	25.00
TOTAL CASH RECEIPTS	$ 2,001,488.00	$ 2,635,429.25
EXPENDITURES		
Student Support Services	$ 2,252,224.89	$ 2,295,302.26
TOTAL EXPENDITURES	$ 2,252,224.89	$ 2,295,302.26
RECEIPTS OVER (UNDER) EXPENDITURES	$ (250,736.89)	$ 340,126.99
UNENCUMBERD CASH, BEGINNING	521,854.72	271,117.83
UNENCUMBERED CASH, ENDING	$ 271,117.83	$ 611,244.82

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

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended June 30, 2021

(With Comparative Actual Totals for the Year Ended June 30, 2020)

SEK ACADEMY GENERAL FUND

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
USD's-State Pass Thru Funds	$ 324,244.00	$ 331,662.00
Federal Funds	30,000.00	30,000.00
School Districts	543,656.22	607,500.00
Other	8,014.61	8,780.00
TOTAL CASH RECEIPTS	$ 905,914.83	$ 977,942.00
EXPENDITURES		
Instruction	$ 565,981.73	$ 458,173.71
Institutional Support	211,381.57	206,709.74
Food Service	1,137.28	11,175.46
Repairs	11,703.69	1,688.39
TOTAL EXPENDITURES	$ 790,204.27	$ 677,747.30
RECEIPTS OVER (UNDER) EXPENDITURES	$ 115,710.56	$ 300,194.70
UNENCUMBERED CASH, BEGINNING	370.23	116,080.79
UNENCUMBERED CASH, ENDING	$ 116,080.79	$ 416,275.49

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

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended June 30, 2021

(With Comparative Actual Totals for the Year Ended June 30, 2020)

FACILITIES BUDGET FUND

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
School Districts	$ 97,621.01	$ 73,090.00
TOTAL CASH RECEIPTS	$ 97,621.01	$ 73,090.00
EXPENDITURES		
Repairs	$ 13,655.14	$ 18,728.65
Renovations & Remodeling	4,393.19	2,732.96
TOTAL EXPENDITURES	$ 18,048.33	$ 21,461.61
RECEIPTS OVER (UNDER) EXPENDITURES	$ 79,572.68	$ 51,628.39
UNENCUMBERED CASH, BEGINNING	38,906.95	118,479.63
UNENCUMBERED CASH, ENDING	$ 118,479.63	$ 170,108.02

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

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended June 30, 2021

(With Comparative Actual Totals for the Year Ended June 30, 2020)

CONTINUOUS IMPROVEMENT GRANT FUND

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
Federal Revenue	$ 71,872.00	$ 71,443.00
TOTAL CASH RECEIPTS	$ 71,872.00	$ 71,443.00
EXPENDITURES		
Instruction	$ 68,872.00	$ 68,872.00
Central Administration	3,000.00	2,571.00
Transfer	-	-
TOTAL EXPENDITURES	$ 71,872.00	$ 71,443.00
RECEIPTS OVER (UNDER) EXPENDITURES	$ -	$ -
UNENCUMBERED CASH, BEGINNING	0.00	0.00
UNENCUMBERED CASH, ENDING	$ 0.00	$ 0.00

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

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended June 30, 2021

(With Comparative Actual Totals for the Year Ended June 30, 2020)

TRI-CO FUND

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
Construction Projects	$ 16,774.94	$ 9,589.82
Student Projects	1,478.27	1,403.32
Reimbursements and Miscellaneous	536.43	189.94
TOTAL CASH RECEIPTS	$ 18,789.64	$ 11,183.08
EXPENDITURES		
Construction Projects	$ 16,799.81	$ 11,506.17
Student Projects	1,162.29	1,192.21
Reimbursements and Miscellaneous	455.40	121.86
TOTAL EXPENDITURES	$ 18,417.50	$ 12,820.24
RECEIPTS OVER (UNDER) EXPENDITURES	$ 372.14	$ (1,637.16)
UNENCUMBERED CASH, BEGINNING	17,020.76	17,392.90
UNENCUMBERED CASH, ENDING	$ 17,392.90	$ 15,755.74

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

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended June 30, 2021

(With Comparative Actual Totals for the Year Ended June 30, 2020)

ESSER 2 MONIES

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
ESSER 2	$ -	$ -
TOTAL CASH RECEIPTS	$ -	$ -
EXPENDITURES		
USD Expenses	$ -	$ 4,215.42
TOTAL EXPENDITURES	$ -	$ 4,215.42
RECEIPTS OVER (UNDER) EXPENDITURES	$ -	$ (4,215.42)
UNENCUMBERED CASH, BEGINNING	-	-
UNENCUMBERED CASH, ENDING	$ -	$ (4,215.42)

TRI-COUNTY SPECIAL EDUCATION
COPPERATIVE NO. 67
INDEPENDENCE, KS

Governmental Auditing Standards and
Uniform Guidance Reporting Requirements

For the Year Ended June 30, 2021

TRI-COUNTY SPECIAL EDUCATION COOPERATIVE NO. 607
INDEPENDENCE, KS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Agency:	Pass-Through Identifying Award Number	Amount Passed Through to Subrecipients	CFDA Number	Expenditures (Regulatory Basis)
U.S. Department of Education:				
Passed through the Kansas Department of Education:				
Special Education Cluster (IDEA)				
IDEA Title VI-Part B, IEP	D0607	$ -	84.027	$ 1,820,725.00
IDEA Title VI-Part B, TIP	D0607	-	84.027	71,443.00
IDEA Title VI-Part B Preschool Grants	D0607	-	84.173	50,690.00
Total Special Education Cluster		$ -		$ 1,942,858.00
Elementary and Secondary School Emergency Relief 1	D0607	$ -	84.425D	$ 108,507.00
Elementary and Secondary School Emergency Relief 2	D0607	-	84.425D	3,605.37
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ -		$ 2,054,970.37

THE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS ARE AN INTEGRAL PART OF THIS SCHEDULE.

TRI-COUNTY SPECIAL EDUCATION COOPERATIVE NO. 607
INDEPENDENCE, KS
Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Tri-County Special Education Cooperative No. 607 under programs of the federal government for the year ended June 30, 2021. The information in this 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 fund balances, or cash flows of the Cooperative.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas (regulatory basis). Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federals Awards,* wherein certain types of expenditures are not allowable or are limited to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

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

YERKES & MICHELS, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANTS
American Institute of Certified Public Accountants, Kansas Society of Certified Public Accountants
John D. Carroll, CPA Emily S. Vail, CPA Ashley R. Osburn, CPA, MBAA

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*

Independent Auditors' Report

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

We have audited, in accordance with 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 regulatory basis financial statement of Tri-County Special Education Cooperative No. 607, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Tri-County Special Education Cooperative No. 607's basic financial statement, and have issued our report thereon dated December 3, 2021.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statement, we considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 statements 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 over financial reporting 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's regulatory basis financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result 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 Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yerkes & Michels

YERKES & MICHELS, CPA, LLC
Independence, KS

December 3, 2021

YERKES & MICHELS, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANTS
American Institute of Certified Public Accountants, Kansas Society of Certified Public Accountants
John D. Carroll, CPA Emily S. Vail, CPA Ashley R. Osburn, CPA, MBAA

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program
We have audited the Tri-County Special Education Cooperative No. 607's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal program for the year ended June 30, 2021. The Cooperative's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for the Cooperative's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Requirements for Federal Awards* (Uniform Guidance)*;* and the *Kansas Municipal Audit and Accounting Guide*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cooperative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Cooperative's compliance.

Opinion on Each Major Federal Program
In our opinion, the Tri-County Special Education Cooperative No. 607 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

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Report on Internal Control Over Compliance

Management of the Tri-County Special Education Cooperative No. 607, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cooperative's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report in 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.

Yerkes & Michels

YERKES & MICHELS, CPA, LLC
Independence, KS

December 3, 2021

TRI-COUNTY EDUCATION COOPERATIVE NO. 607
INDEPENDENCE, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued in accordance with regulatory basis: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes_____ No X

Significant deficiency(ies) identified? Yes_____ No X

Noncompliance material to financial statement noted? Yes_____ No X

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes_____ No X

Significant deficiency(ies) identified? Yes_____ No X

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to
Be reported in accordance with 2 CFR 200.516(a)? Yes_____ No X

Identification of major programs:

CFDA Numbers	Name of Federal Program(s) or Cluster
84.027 & 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B Programs: $ 750,000

Auditee considered a low-risk auditee? Yes_____ No X

Section II – Financial Statement Findings

No matters reported.

TRI-COUNTY EDUCATION COOPERATIVE NO. 607
INDEPENDENCE, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

Section III – Federal Award Findings and Questioned Costs

DEPARTMENT OF EDUCATION

Passed through the Kansas Department of Education:
Special Education Cluster (IDEA) - CFDA #84.027 and #84.173

No matters reported.