SOUTHEAST KANSAS SPECIAL EDUCATION INTERLOCAL #637
PITTSBURG, KANSAS

Regulatory Basis Financial Statement and
Independent Auditors' Report with
Regulatory Required Supplemental Information
And Federal Compliance Section
For the Fiscal Year Ended June 30, 2025

SOUTHEAST KANSAS SPECIAL EDUCATION INTERLOCAL #637
PITTSBURG, KANSAS

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D B B

D B B INC.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Southeast Kansas Special Education Interlocal #637
Pittsburg, Kansas 66762

Adverse and Unmodified Opinions

We have audited the accompanying Summary Statement of Receipts, Expenditures, and Unencumbered Cash, Regulatory Basis, of the Southeast Kansas Special Education Interlocal #637 (Interlocal), Pittsburg, Kansas as of and for the fiscal year ended June 30, 2025 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Interlocal as of June 30, 2025 or changes in financial positions and cash flows thereof for the fiscal 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 Southeast Kansas Special Education Interlocal #637 as of June 30, 2025, and the aggregate receipts and expenditures for the fiscal 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) and the *Kansas Municipal Audit and Accounting Guide.* Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Interlocal, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

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

As discussed in Note 1 of the financial statement, the financial statement is prepared by the Interlocal on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide,* which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Interlocal's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the June 30, 2025 summary statement of receipts, expenditures, and unencumbered cash balances – regulatory basis (financial statement) as a whole. The summary of expenditures – actual and budget – regulatory basis, individual fund schedules of receipts and expenditures – actual and budget – regulatory basis, (Schedules 1 and 2 as listed in the table of contents), are presented for purposes of additional analysis and are not a required part of the 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. 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 financial statement. The information has been

subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the 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 9, 2026, on our consideration of the Interlocal'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 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 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 Interlocal's internal control over financial reporting and compliance.

Prior Year Comparative Numbers

The 2024 actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedule 2 as listed in the table of contents), are also presented for comparative analysis and was not a required part of the 2024 financial statement upon which we rendered an unmodified opinion dated June 26, 2025. The 2024 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. Such 2024 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2024 basic financial statement. The 2024 comparative information was subjected to the auditing procedures applied in the audit of the 2024 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2024 basic financial statement or to the 2024 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the 2024 comparative information is fairly stated in all material respects in relation to the 2024 basic financial statement as a whole, on the basis of accounting described in Note 1.

DBB, Inc.

DBB, Inc.

January 09, 2026
Fort Scott, Kansas

SOUTHEAST KANSAS
SPECIAL EDUCATION INTERLOCAL #637

Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Fiscal Year Ended June 30, 2025

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Special Purpose Funds:						
Special Education	$ 3,831,786	$ 23,335,013	$ 24,441,389	$ 2,725,410	$ 2,958,020	$ 5,683,430
Career and Postsecondary Education	-	6,274	6,274	-	-	-
KDHE Grant	(59,610)	107,315	47,654	51	-	51
Life Career Skills	7,101	9,535	10,461	6,174	-	6,174
Mini Grants	26,539	22,146	2,591	46,094	-	46,094
Pritchett Grant	(1,377)	5,790	113	4,301	-	4,301
Targeted Improvement	-	96,564	96,564	-	3,600	3,600
Total Entity (Excluding Agency Funds)	$ 3,804,439	$ 23,582,637	$ 24,605,047	$ 2,782,029	$ 2,961,620	$ 5,743,649

Composition of Cash	
General Checking Account	$ 5,736,580
Petty Cash	1,000
Sweep Account	6,069
Total Cash	$ 5,743,649

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

SOUTHEAST KANSAS SPECIAL EDUCATION INTERLOCAL #637
PITTSBURG, KANSAS

NOTES TO THE FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of Southeast Kansas Special Education Interlocal #637 (Interlocal), has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Interlocal's accounting policies follow. Note 1 describes how the Interlocal's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The Interlocal is a municipal corporation governed by an elected thirteen-member board. Each board member represents a member Unified School District of the Interlocal. This financial statement presents the Interlocal (the primary government). The Interlocal has developed criteria to determine whether outside agencies, with activities which benefit the members of the Interlocal, should be included within its financial reporting entity. This criteria include but are not limited to, whether the Interlocal exercises financial accountability, selection of governing authority, designation of management, ability to significantly influence operations, scope of public service and special financing relationships. Based on the above criteria, the Interlocal has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a related municipal entity in this financial statement.

Basis of Presentation - Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the Interlocal:

REGULATORY BASIS FUND TYPES

Special Purpose Funds – to account for the proceeds of specific tax levies and other specific revenue sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the special purpose funds (unless specifically exempted by statute). Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1.
2. Publication in the local newspaper of the proposed budget and a notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after the publication of a notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented as supplemental information for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments of the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A legal operating budget is not required for the following special purpose funds (Life Career Skills, Interlocal Revolving, Mini Grants, Pritchett Grant, and Targeted Improvement). Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

Compensated Absences

Employees may accrue from 10 to 12 days of sick leave each year. An employee may accumulate up to 120 days of sick leave. At retirement the Interlocal pays $45 per day of accumulated unused sick leave of certified employees that qualify under the early retirement program. Classified employees are paid $25 per day of accumulated sick leave under the early retirement plan. No other payments are made for unused sick leave.

The Interlocal determines a liability for compensated absences when the following conditions are met:

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

In accordance with the above criteria, the Interlocal has not recorded a liability for sick pay or vacation pay.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

The financial statement and the regulatory required supplemental schedules have been prepared in order to show compliance with the cash basis and budget laws of Kansas.

3. CASH IN BANK AND DEPOSITORY SECURITY

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

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

Concentration of credit risk. State statutes place no limit on the amount the Interlocal may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. All of the Interlocal's bank accounts were held by one bank resulting in a concentration of credit risk.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Interlocal's deposits may not be returned to it. State statutes require the Interlocal's deposits

3. CASH IN BANK AND DEPOSITORY SECURITY (Continued)

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%. All deposits were legally secured at June 30, 2025.

At June 30, 2025, the Interlocal's carrying amount of deposits was $5,743,649 and the bank balance was $6,012,022. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $5,782,838 was covered by federal depository insurance, $229,185 was collateralized with securities held by the pledging financial institutions' agents in the Interlocal's name with a market value of $728,430.

4. PENSION PLAN

General Information about the Pension Plan

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

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

4. PENSION PLAN (Continued)

The 2021 Legislature passed House Bill 2405, which authorizes the State of Kansas to issue pension obligation bonds, series 2021K, net proceeds of $500 million to fund a portion of the School- Group's unfunded actuarial liability. The bond proceeds were received by KPERS on August 26, 2021.

The 2022 Legislature passed Senate Bill 421, which authorized the State of Kansas to transfer $1.125 billion from the State General Fund directly to KPERS in Fiscal Years 2022 and 2023. The first $253.9 million paid off outstanding accounts receivable for KPERS-School employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019 while the remaining $871.1 million was applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2022, $600 million was transferred in May/June 2022.

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

The State of Kansas is required to contribute the statutory required employer's share except for retired Interlocal employees. The Interlocal is responsible for the employer's portion of the cost for retired Interlocal employees. For the year ended June 30, 2025, the State remitted $38,988 for retired employees.

Net Pension Liability

At June 30, 2025, the District's proportionate share of the collective net pension liability reported by KPERS was $387,021. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, which was rolled forward to June 30, 2024. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2024. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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.

5. POST EMPLOYMENT BENEFITS

Retirement

A professional certified employee is eligible for early retirement if such person: (a) is currently a professional certified employee of the Interlocal; (b) will be at least 55 years of age on or before June 30 of the retiring year; (c) had 10 years or more of service with the Interlocal as of June 1, 2015. Retirement is entirely voluntary and at the discretion of an eligible employee. Retirement benefits are 15% of the annual salary in the primary teaching contract for the final year of service for 5 years plus $45 per day of accumulated unused sick leave. The Interlocal funds these benefits on a pay as you go basis. The early retirement benefits are paid by making contributions to a section 403(b) Plan. For the year ended June 30, 2025, the Interlocal contributed $227,889 to

5. POST EMPLOYMENT BENEFITS (Continued)

the plan. In addition, as detailed in Note 9, the Interlocal owes an additional $433,162 to former employees that have already retired. The Interlocal estimates approximately $2,263,413 in benefits under this plan have been earned by employees that are eligible for retirement but continue to work.

Participation in Group Health Insurance Plan

As provided by K.S. A. 12-5040, retired employees are eligible to participate in the Interlocal's group health insurance plan until they have reached the age of 65. While each retiree pays the full amount of the applicable premium, conceptually, the Interlocal is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Interlocal 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 Interlocal under this program.

6. RISK MANAGEMENT

The Interlocal is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. The Interlocal continues to carry commercial insurance for these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. REIMBURSED EXPENSES

The Interlocal records reimbursable expenditures in the fund which makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

8. CONTINGENCIES

The Interlocal receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the Special Education Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the Interlocal at June 30, 2025.

9. LONG-TERM OBLIGATIONS

At June 30, 2025, the Interlocal was committed to making the following payments to retired employees:

9. LONG-TERM OBLIGATIONS (Continued)

Year Ended June 30	Required Payments
2026	$ 155,045
2027	124,697
2028	97,830
2029	55,590
	$ 433,162

10. SUBSEQUENT EVENTS

Events subsequent to June 30, 2025, have been evaluated through January 09, 2026 the report release date of the financial statements. There were no subsequent events recognized in this financial statement or disclosed in the notes to the financial statement.

REGULATORY REQUIRED
SUPPLEMENTAL INFORMATION

SOUTHEAST KANSAS
SPECIAL EDUCATION INTERLOCAL #637

Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2025

Funds	Certified Budget	Adjustment to Comply with Legal Maximum	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
Special Purpose Funds:						
Special Education	$ 25,684,674	$ -	$ -	$ 25,684,674	$ 24,441,389	$ (1,243,285)
Career and Postsecondary Education	30,500	-	-	30,500	6,274	(24,226)
	$ 25,715,174					

SOUTHEAST KANSAS
SPECIAL EDUCATION INTERLOCAL #637
SPECIAL EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Totals for the Prior Year Ended June 30, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
Charges for services	$ 6,737,703	$ 8,120,441	$ 8,239,835	$ (119,394)
Interest on idle funds	86,277	75,109	84,000	(8,891)
Medicaid revenue	1,066,660	692,414	1,085,000	(392,586)
Other	23,779	31,661	20,631	11,030
State Sources				
State aid	11,657,854	11,339,721	12,410,752	(1,071,031)
Federal Sources				
Earlychildhood	84,397	86,359	86,359	-
ARP	30,068	-	-	-
Title VI B	2,784,362	2,989,309	2,989,309	-
Total Cash Receipts	22,471,099	23,335,013	$ 24,915,886	$ (1,580,873)
Expenditures				
Instruction	20,511,082	21,185,694	$ 21,849,885	$ (664,191)
Support Services				
Student Support	1,256,513	1,597,719	1,159,601	438,118
Special Area Admin. Services	1,003,484	1,134,902	1,171,410	(36,508)
Central Services	104,161	112,669	1,097,699	(985,030)
Operations and Maintenance	386,082	410,405	406,079	4,326
Total Expenditures Subject to Budget	23,261,323	24,441,389	$ 25,684,674	$ (1,243,285)
Receipts Over (Under) Expenditures	(790,224)	(1,106,376)		
Unencumbered Cash, Beginning	4,622,010	3,831,786		
Unencumbered Cash, Ending	$ 3,831,786	$ 2,725,410		

SOUTHEAST KANSAS
SPECIAL EDUCATION INTERLOCAL #637
CAREER AND POSTSECONDARY EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Totals for the Prior Year Ended June 30, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources				
District Contributions	$ 23,674	$ 6,274	$ 30,500	$ (24,226)
Total Cash Receipts	23,674	6,274	$ 30,500	$ (24,226)
Expenditures				
Instruction	23,674	6,274	$ 30,500	$ (24,226)
Total Expenditures Subject to Budget	23,674	6,274	$ 30,500	$ (24,226)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	$ -	$ -		

SOUTHEAST KANSAS
SPECIAL EDUCATION INTERLOCAL #637
KDHE GRANT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Totals for the Prior Year Ended June 30, 2024)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal Aid	$ 239,777	$ 107,315
Total Cash Receipts	239,777	107,315
Expenditures		
Instruction	-	-
Support Services		
Operations and Maintenance	176,153	47,654
Total Expenditures	176,153	47,654
Receipts Over (Under) Expenditures	63,624	59,661
Unencumbered Cash, Beginning	(123,234)	(59,610)
Unencumbered Cash, Ending	$ (59,610)	$ 51

SOUTHEAST KANSAS
SPECIAL EDUCATION INTERLOCAL #637
LIFE CAREER SKILLS REVOLVING FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Totals for the Prior Year Ended June 30, 2024)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Program receipts	$ 9,434	$ 9,535
Total Cash Receipts	9,434	9,535
Expenditures		
Support Services		
Operations and Maintenance	8,482	10,461
Total Expenditures	8,482	10,461
Receipts Over (Under) Expenditures	952	(927)
Unencumbered Cash, Beginning	6,148	7,101
Unencumbered Cash, Ending	$ 7,101	$ 6,174

SOUTHEAST KANSAS
SPECIAL EDUCATION INTERLOCAL #637
MINI GRANTS FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Totals for the Prior Year Ended June 30, 2024)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Miscellaneous	$ 3,398	$ 22,146
Total Cash Receipts	3,398	22,146
Expenditures		
Other expenditures	977	2,591
Total Expenditures	977	2,591
Receipts Over (Under) Expenditures	2,421	19,555
Unencumbered Cash, Beginning	24,118	26,539
Unencumbered Cash, Ending	$ 26,539	$ 46,094

SOUTHEAST KANSAS
SPECIAL EDUCATION INTERLOCAL #637
PRITCHETT GRANT
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Totals for the Prior Year Ended June 30, 2024)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Program receipts	$ 2,345	$ 5,790
Total Cash Receipts	2,345	5,790
Expenditures		
Program expenditures	5,372	113
Total Expenditures	5,372	113
Receipts Over (Under) Expenditures	(3,027)	5,677
Unencumbered Cash, Beginning	1,650	(1,377)
Unencumbered Cash, Ending	$ (1,377)	$ 4,301

SOUTHEAST KANSAS
SPECIAL EDUCATION INTERLOCAL #637
TARGETED IMPROVEMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Fiscal Year Ended June 30, 2025
(With Comparative Actual Totals for the Prior Year Ended June 30, 2024)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	$ 137,436	$ 96,564
Total Cash Receipts	137,436	96,564
Expenditures		
Instruction	62,597	62,597
Support Services		
Instructional Support	31,198	31,198
School Administration	2,077	2,769
Total Expenditures	95,872	96,564
Receipts Over (Under) Expenditures	41,564	-
Unencumbered Cash, Beginning	(41,564)	-
Unencumbered Cash, Ending	$ -	$ -

SOUTHEAST KANSAS SPECIAL EDUCATION INTERLOCAL #637

FEDERAL COMPLIANCE SECTION

For the Fiscal Year Ended June 30, 2025

SOUTHEAST KANSAS
SPECIAL EDUCATION INTERLOCAL #637

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2025

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
U.S. Department of Education			
Passed Through the State of Kansas Department of Education:			
Special Education Cluster			
Special Education- Grants to States	84.027A	$ 3,085,873	$3,085,873
Special Education- Preschool Grants	84.173A	86,359	86,359
Total Special Education Cluster		3,172,232	3,172,232
Total U.S. Department of Education		3,172,232	3,172,232
U.S Department of Labor			
Passed Through Kansas Department of Education			
Registered Apprenticeship	17.285	5,750	5,750
U.S. Department of Health and Human Services			
Passed Through Kansas Department of Education			
COVID 19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	107,315	47,654
TOTALS			$3,225,636

Note: The Schedule of Expenditures of Federal Awards has been prepared under the regulatory basis of accounting as established in the Kansas Municipal Audit and Accounting Guide. Under the regulatory basis of accounting, revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments of the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract.

The Interlocal did not elect to use the 10% deminimis indirect cost rate.

SOUTHEAST KANSAS SPECIAL EDUCATION INTERLOCAL #637
PITTSBURG, KANSAS

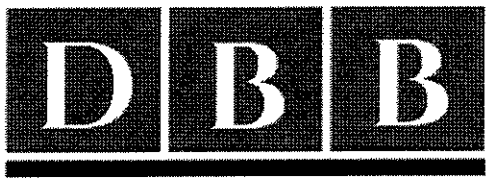
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2025

Finding 2023-001 and 2024-001 Drafting Financial Statements

Condition: The Interlocal's auditors, provide significant assistance with preparing their financial statement in the regulatory basis format as well as determining which disclosures are required.

Recommendation: None

Current Status: The Interlocal continues to rely on their auditors to assist in preparing the financial statement and disclosures. The Interlocal periodically reviews the situation. The Interlocal continues to believe this is the most cost-effective way to produce their financial statement. This remains a current year audit finding.



D B B INC.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Southeast Kansas Special Education Interlocal #637
Pittsburg, Kansas 66762

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, the financial statement of Southeast Kansas Special Education Interlocal #637 (Interlocal) as of the year ended June 30, 2025, and have issued our report thereon dated January 09, 2026.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Interlocal's financial statement is free of 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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to Management of the Interlocal in a separate letter dated January 09, 2026.

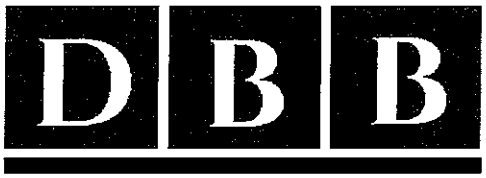
Interlocal's Response to Findings
Government Auditing Standards require the auditor to perform limited procedures on the Interlocal's response to findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Interlocal's response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 organization'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 organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

DBB, Inc.

DBB, Inc.

January 09, 2026
Fort Scott, Kansas



D B B INC.

Certified Public Accountants

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

Board of Education
Southeast Kansas Special Education Interlocal #637
Pittsburg, Kansas 66762

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Southeast Kansas Special Education Interlocal #637's (the Interlocal) 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 Interlocal's major federal programs for the fiscal year ended June 30, 2025. The Interlocal'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 Interlocal 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 fiscal year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Interlocal 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 Interlocal'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 Interlocal'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 Interlocal'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 generally accepted auditing standards, *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 Interlocal's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Interlocal'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 Interlocal'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 Interlocal'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.

DBB, Inc.

DBB, Inc.

January 09, 2026
Fort Scott, Kansas

SOUTHEAST KANSAS SPECIAL EDUCATION INTERLOCAL #637
PITTSBURG, KANSAS

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS:

Type of auditors' report issued:

- Adverse for departures from accounting principles generally accepted in the United States of America due to preparation of financial statements in accordance with the regulatory basis of accounting.
- Unqualified opinion on the regulatory basis financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? _ *YES* _X_ *NO*
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? NONE _X_ *YES* _ *REPORTED*

Noncompliance material to financial statements noted? _ *YES* _X_ *NO*

FEDERAL AWARDS:

Internal control over major programs:

- Material weakness(es) identified? _ *YES* _X_ *NO*
- Significant deficiency(ies) identified that are not considered to be material weaknesses? NONE _ *YES* _X_ *REPORTED*

Type of auditors' report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200, 516(a) of the Uniform Guidance? _ *YES* _X_ *NO*

IDENTIFICATION OF MAJOR PROGRAMS:

CFDA #	NAME OF PROGRAM
84.027 & 84.173	IDEA Cluster

Auditee qualified as low-risk auditee? _ *YES* _X_ *NO*

The threshold used to distinguish between Type A and Type B programs was $750,000.

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency
2025-001 Drafting Financial Statements

Condition: As auditors, we provide significant assistance with adjusting entries, as well as determining which disclosures are required under generally accepted accounting standards and the regulatory basis of accounting. This is a repeat finding from June 30, 2024, and was identified in that report as 2024-001.

Criteria: Internal controls should be in place that provide a reasonable assurance that the financial statements are appropriate in form and contain the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they can not be considered part of the Interlocal's internal control.

Effect: The Interlocal relies on independent auditors to determine the financial statements are in the correct form and include the proper disclosures.

Recommendation: None

Response: The Interlocal agrees with the finding. The Interlocal's response is in the attached Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SEK Interlocal #637

SOUTHEAST KANSAS SPECIAL EDUCATION INTERLOCAL #637

June 30, 2025 Financial Statements

Corrective Action Plan

Audit Finding 2025-001

Interlocal #637 has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under the regulatory basis of accounting. Beginning with the audit of the 2025-26 fiscal year, the Interlocal will prepare a draft financial statement, including a draft Schedule of Expenditures of Federal Award. We believe this will be sufficient to address the significant deficiency in internal controls finding.