EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION

Baldwin City, Kansas

FINANCIAL STATEMENT

June 30, 2026

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION
Baldwin City, Kansas
TABLE OF CONTENTS
June 30, 2026

		Page
INDEPENDENT AUDITOR'S REPORT		1 - 2
FINANCIAL STATEMENT		
Summary Statement of Receipts, Expenditures and Unencumbered Cash	Statement 1	3
NOTES TO FINANCIAL STATEMENT		4 - 7
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION		
Summary of Expenditures - Actual and Budget	Schedule 1	9
Schedule of Receipts and Expenditures - Actual and Budget		
General Fund	Schedule 2	10
Summary of Receipts and Disbursements - Agency Funds	Schedule 3	11

September 14, 2026

Board of Education
East Central Kansas Cooperative in Education
Baldwin City, Kansas

Independent Auditor's Report

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of East Central Kansas Cooperative in Education (the Cooperative), as of and for the year ended June 30, 2026, and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Cooperative as of June 30, 2026, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Cooperative as of June 30, 2026, and the aggregate receipts and expenditures for they year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* (KMAAG) 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 KMAAG. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the Cooperative on the basis of the financial reporting provisions of the KMAAG, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of the financial statement in accordance with KMAAG 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 under the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for purposes of additional analysis and are not required part of the basic financial statement; however, are required to be presented under the provisions of the KMAAG. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION
Baldwin City, Kansas
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended June 30, 2026

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GOVERNMENTAL TYPE FUNDS							
Governmental type funds							
General Fund	$ (245,604)	$ -	$ 10,572,086	$ 10,600,070	$ (273,588)	$ 651,207	$ 377,619
Total Reporting Entity (Excluding Agency Funds)	$ (245,604)	$ -	$ 10,572,086	$ 10,600,070	$ (273,588)	$ 651,207	$ 377,619

Composition of Cash	
District Checking	$ 377,619
Flex Savings	27,082
	$ 404,701
Less: Agency funds per Schedule 3	(27,082)
Total Reporting Entity (Excluding Agency Funds)	$ 377,619

Note: Beginning in FY26, Flex Savings funds were reclassified as agency funds because the Cooperative holds these resources on behalf of participating employees. Accordingly, these balances are no longer reported within the Cooperative's operating funds, which reduced the beginning unencumbered cash balance reported. Prior-year amounts have not been restated.

The accompanying notes are an integral part of this financial statement.
See Independent Auditor's Report.

EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION
Baldwin City, Kansas
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2026

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

East Central Kansas Cooperative in Education (the Cooperative), is an organization of three school districts to perform the Special Education function as a Cooperative.

Financial Reporting Entity

The Cooperative is a municipal corporation governed by a six member Board. The Cooperative as an entity has been defined to include, on a combined basis, (a) Interlocal No. 614 (b) organizations for which Interlocal No. 614 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Cooperative are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the Cooperative's report.

Fund Descriptions

In governmental 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 for the year 2026:

Governmental Funds

General Fund is used to account for all unrestricted resources except those required to be accounted for in another fund.

Special Purpose Funds are used to account for the proceeds of specific revenue sources (other than major capital projects and tax levies for long-term debt) that are restricted by law or administrative action to expenditure for specified purposes.

Basis of Presentation

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America - The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balances 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 Cooperative has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Cooperative to use the regulatory basis of accounting.

Cash and Investments

Cash consists of checking accounts for general operations and flex savings.

Note 1: Summary of Significant Accounting Policies

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statement meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Budgetary Information

The budgetary process for the Cooperative is different from that of a Unified School District. The Cooperative does not receive any local tax money directly. They prepare the 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 Unified School Districts' published budget.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

Use of Estimates

The process of preparing the financial statement requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2: 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 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 limits its investment choices.

Concentration of credit risk - State statutes place no limits 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%. The Cooperative did not utilize peak periods. All deposits were legally secured at June 30, 2026.

At June 30, 2026, the Cooperative's carrying amount of deposits was $404,701 and the bank balance was $798,691. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by the federal depository insurance, and the remaining balance was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name.

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

Note 3: Defined Benefit Pension Plan

Plan Description

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

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 11.60% and 11.54%, respectively, for the fiscal year ended June 30, 2025. The actuarially determined employer contribution rate and the statutory contribution rate was 11.78% and 11.68% for the fiscal year ended June 30, 2026.

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

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

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

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

The State of Kansas is required to contribute the statutory required employer’s share except for retired 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 $27,699 for the year ended June 30, 2026.

Note 3: Defined Benefit Pension Plan (Continued)

Net Pension Liability

At June 30, 2026, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was $221,480. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025. 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, 2025. 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 KSPERS.gov or can be obtained as described above.

Note 4: Risk Management

The Cooperative is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Cooperative carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

Note 5: Stewardship, Compliance and Accountability

The General Fund had a deficit of unencumbered cash balance of $273,588 at June 30, 2026, which is a violation of K.S.A. 10-1113.

Note 6: Other Post Employment Benefits

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care 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.

Note 7: Contingency

The Cooperative receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Cooperative's management, such disallowances, if any, will not be significant to the Cooperative's financial statement.

Note 8: Subsequent Events

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

REGULATORY-REQUIRED SUPPLEMENTAL INFORMATION

EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION
Baldwin City, Kansas
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2026

Funds	Original Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:					
General Fund	$ 10,502,619	$ -	$ 10,502,619	$ 10,600,070	$ 97,451

Note: The Cooperative is not subject to the Kansas budget laws; therefore there is no budget violation.

EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION
Baldwin City, Kansas
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2026

	Actual	Budget	Variance - Over (Under)
CASH RECEIPTS			
Intergovernmental Revenue			
Federal funds	$ 1,639,844	$ 1,492,478	$ 147,366
State funds	615,414	4,861,160	(4,245,746)
Charges for services	8,205,738	4,355,330	3,850,408
Interest income	1,166	1,300	(134)
Miscellaneous revenues	12,149	16,000	(3,851)
Refunds/Reimbursements	97,775	90,000	7,775
Total Receipts	$ 10,572,086	$ 10,816,268	$ (244,182)
EXPENDITURES			
Instruction	$ 7,868,010	$ 7,713,172	$ 154,838
Student support services	1,902,566	1,900,526	2,040
Instruction support staff	112,455	147,039	(34,584)
General administration	541,050	571,534	(30,484)
School administration	41,083	50,000	(8,917)
Central services	-	16,740	(16,740)
Operations and maintenance	102,565	81,301	21,264
Student transportation services	32,341	22,307	10,034
Total Expenditures	$ 10,600,070	$ 10,502,619	$ 97,451
RECEIPTS OVER (UNDER) EXPENDITURES	$ (27,984)		
UNENCUMBERED CASH - BEGINNING	(245,604)		
UNENCUMBERED CASH - ENDING	$ (273,588)		

EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION
Baldwin City, Kansas
AGENCY FUNDS
SUMMARY OF RECEIPTS AND DISBURSEMENTS
Regulatory Basis
For the Year Ended June 30, 2026

	Balance July 1, 2025	Cash Receipts	Cash Disbursements	Balance June 30, 2026
Flex Reserve Fund	$ 22,109	$ 35,890	$ 30,917	$ 27,082