NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636

Financial Statement With Independent Auditors' Report

For the Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Central Kansas Special Education Cooperative Interlocal No. 636
Phillipsburg, Kansas

Report on the Audit of the Financial Statement

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **North Central Kansas Special Education Cooperative Interlocal No. 636**, as of and for the year ended June 30, 2024 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 matters 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 of June 30, 2024, 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, 2024, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Cooperative, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

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

Responsibilities of Management for the Financial Statement

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

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

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances (basic financial statement) as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The summary of regulatory basis expenditures – actual and budget and individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement; however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Cooperative as of and for the year ended June 30, 2023 (not presented herein), and have issued our report thereon dated January 15, 2024, which contained an unmodified opinion on the basic financial statement. The 2023 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services/municipal-audits. The 2023 actual column (2023 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended June 30, 2024 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2023 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 2023 basic financial statement. The 2023 comparative information was subjected to the auditing procedures applied in the audit of the 2023 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 2023 basic financial statement or to the 2023 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 2023 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, 2023, 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 February 17, 2025, 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.



ADAMSBROWN, LLC
Certified Public Accountants
Hays, Kansas

February 17, 2025

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2024

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	**Ending Unencumbered Cash Balance**	Add Encumbrances and Accounts Payable	**Ending Cash Balance**
Regulatory Basis Type Funds							
Special Purpose Funds							
Coop Special Education Fund	$ 2,322,023	-	8,484,202	8,747,537	**2,058,688**	616,746	**2,675,434**
Gifts and Grants Fund	9,634	-	20,069	26,300	**3,403**	-	**3,403**
Health Care Reserve Fund	304,908	-	1,586,783	1,522,640	**369,051**	-	**369,051**
Professional Development Fund	9,747	-	37,713	47,460	**-**	-	**-**
Total Reporting Entity	$ 2,646,312	-	10,128,767	10,343,937	**2,431,142**	616,746	**3,047,888**

Composition of Cash		
Checking Accounts	$	**1,077,514**
Certificates of Deposit		**1,970,374**
Total Reporting Entity	$	**3,047,888**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Central Kansas Special Education Cooperative Interlocal No. 636 (the Cooperative) has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statement is presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Financial Reporting Entity

The Cooperative is a municipal corporation governed by an elected board. The Board is composed of one member from the board of education of each school Cooperative that is a member of the Cooperative. A related municipal entity is an entity established to benefit the Cooperative and/or its constituents. The Cooperative has no related municipal entities.

Basis of Presentation – Fund Accounting

The accounts of the Cooperative are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following type of funds comprises the financial activities of the Cooperative for the year ended June 30, 2024.

Regulatory Basis Fund Type

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

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 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.

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 of accounting.

NOTE 2 – BUDGETARY INFORMATION

The Cooperative is not subject to the legal annual operating budget requirements but is controlled by the use of an internal budget established by the governing body. The internal budget is the source of the budget amounts listed on Statement 2.

NOTE 3 – DEPOSITS AND INVESTMENTS

North Central Kansas Special Education Cooperative Interlocal No. 636 follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary statement of receipts, expenditures and unencumbered cash.

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 K.S.A. 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 does not use "peak periods". All deposits were legally secured at June 30, 2024.

At June 30, 2024, the Cooperative's carrying amount of deposits was $3,047,888 and the bank balance was $3,165,933. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $381,323 was covered by federal depository insurance, and $2,784,610 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 possession of an outside party. State statutes require investments to be adequately secured. The Cooperative had no investments at June 30, 2024.

NOTE 4 – LITIGATION

North Central Kansas Special Education Cooperative Interlocal No. 636 is a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material financial impact on the affected funds of the Cooperative.

NOTE 5 – RISK MANAGEMENT

North Central Kansas Special Education Cooperative is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. The Cooperative has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the Cooperative joined together with other Districts in the State to participate in Kansas Association of School Boards Risk Management Services (KASB), a public entity risk pool currently operating as a common risk management and insurance program for 120 participating members.

The Cooperative pays an annual premium to Kansas Association of School Boards Risk Management Services for its workers' compensation insurance coverage. The agreement to participate provides that the Kansas Association of School Boards Risk Management Services will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $1,000,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by Kansas Association of School Boards Risk Management Services' management.

The Cooperative carries commercial insurance coverage for claims arising from matters other than related to employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

NOTE 6 – GRANTS AND SHARED REVENUES

North Central Kansas Special Education Cooperative Interlocal No. 636 participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Cooperative has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Cooperative, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 7 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

North Central Kansas Special Education Cooperative Interlocal No. 636 did not perform sealed bid procedures for expenditure amounts greater than $20,000 for the construction or purchase of materials, goods, or wares, which is a violation of K.S.A. 72-1151.

NOTE 8 – DEFERRED COMPENSATION PLAN

North Central Kansas Special Education Cooperative Interlocal No. 636 sponsors deferred compensation plans under Internal Revenue Code Sections 457(b) and 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The Cooperative is not required to make any contributions.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description
North Central Kansas Special Education Cooperative Interlocal No. 636 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 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions
K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 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 14.88% and 13.11 %, respectively, for the fiscal year ended June 30, 2023. The actuarially determined employer contribution rate and the statutory contribution rate was 13.38% and 12.57%, respectively, for the fiscal year ended June 30, 2024.

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 $6,946 for the year ended June 30, 2024.

Net Pension Liability

At June 30, 2024, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was $54,259. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. 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, 2023. 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.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, **North Central Kansas Special Education Cooperative Interlocal No. 636** allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Cooperative is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

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

As provided by K.S.A.74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended June 30, 2024.

NOTE 11 – COMPENSATED ABSENCES

North Central Kansas Special Education Cooperative Interlocal No. 636's contracts with various employees permit the employees to accumulate various amounts of vacation, sick and personal leave.

Vacation
The Cooperative's policy for vacation is that the Director, Assistant Director, Clerk and Treasurer each receive 20 days per year. Vacation does not accumulate from year to year.

Sick Leave
The Cooperative's sick leave policy for the Director and Assistant Director is that each receives 70 days of non-cumulative sick leave each year. The Clerk and Treasurer receive 12 days and may accumulate a maximum of 60 days of sick leave. No accumulated sick leave is paid to employees at separation of service for any reason.

The Cooperative's sick leave policy for certified and licensed employees, other than the Director and Assistant Director, is that employees receive 10 days per year and may accumulate a maximum of 75 days of sick leave. Any employee sick leave that exceeds the 75 day limit at the end of the school year is paid 75% of the daily NCKSEC Certified teacher substitute rate per day for each day in excess of the 75 days. The Cooperative allows for accrued sick leave to be paid upon separation of service due to retirement, disability, or death, provided the employee has been employed by the Cooperative or previous USD 325 Phillipsburg certified experience for at least 10 consecutive years and has met KPERS retirement eligibility for "unreduced" benefits. The amount paid due to separation from service is equal to 75% of the daily NCKSEC Certified teacher substitute rate a day times the number of days accumulated not to exceed 85 days. No accumulated sick leave is paid to employees at separation of service for any other reason.

The Cooperative's sick leave policy for paraeducators and COTA/PTA employees is that each receives 8 days of sick leave per year based on the number of daily hours assigned to each employee and may accumulate a maximum of 300 hours of sick leave. No accumulated sick leave is paid at separation of service for any reason.

Sick Leave Bank
The sick leave bank is voluntary and open to all certified employees and paraeducators. The purpose of the sick leave bank is to allow staff members to contribute unused sick leave to a pool and allow participating members, who have exhausted their accumulated sick leave to draw from the pool and avoid having their pay reduced. The sick leave bank is administered by the Cooperative pursuant to the guidelines it has established. At the beginning of the school year each employee who wishes to participate in the bank must donate one day by September 1. Days remaining in the bank at the end of the regular school year shall accumulate from year to year. If, on the 1st day of the contract year the number of days accumulated in the bank is less than three times the number of employees applying for participation, all applying will contribute one day to the bank. If the number of accumulated days is more than three times the number of employees participating, only employees who did not participate the previous year will contribute one day to the bank. Employees shall not be eligible for the sick leave bank until they have depleted their current and accumulated individual sick leave. Use of the sick leave bank is subject to approval by the bank committee after the employee becomes eligible. Participating employees shall be limited to a maximum of 30 days use during any one school year.

Personal Leave
The Cooperative's personal leave policy for certified and licensed employees, other than the Director and Assistant Director, is that employees receive 2 days per year for employees having completed less than 5 years, and 3 days per year for employees completing more than 5 years. Employees completing more than 10 years may exchange 2 paid sick leave day for 2 personal leave day. Personal leave days do not accumulate from year to year. Any amount unused at the end of the school year will roll over into sick leave.

The Cooperative's personal leave policy for paraeducators and COTA/PTA employees is that each receives two days of personal leave per year. Employees with more than 10 consecutive years experience will receive 1 additional personal leave day. Any amount unused at the end of the school year will roll over into sick leave.

Health Savings Account
Each certified employee and full-time classified employee has the option of participating in the Health Savings Account established by the Cooperative. All contributions to the account are made by the employees.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636

Regulatory-Required Supplementary Information

Schedule 1

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	**Expenditures Chargeable to Current Year**	Variance Over (Under)
Regulatory Basis Type Funds					
Special Purpose Funds					
Coop Special Education Fund	$ 9,182,068	-	9,182,068	**8,747,537**	(434,531)
Gifts and Grants Fund	26,300	-	26,300	**26,300**	-
Professional Development Fund	53,500	-	53,500	**47,460**	(6,040)

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

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Coop Special Education Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024
(With Comparative Actual Totals for the Prior Year Ended June 30, 2023)

		Current Year		
	Prior Year Actual	**Actual**	Budget	Variance Over (Under)
Receipts				
Local Sources				
Payments From Districts - Assessments	$ 2,588,160	**2,640,828**	2,678,521	(37,693)
Payments From Districts - Flow-thru	4,234,571	**3,959,181**	4,282,148	(322,967)
Interest on Idle Funds	64,986	**104,358**	60,000	44,358
Other Revenue From Local Sources	51,880	**58,853**	95,000	(36,147)
State Aid				
Special Education Aid	217,465	**249,111**	225,000	24,111
Medicaid	397,359	**448,989**	350,000	98,989
Federal Aid				
Federal Grants - CARES/ESSER	176,000	**-**	-	-
Federal Grants - IDEA	955,954	**1,022,882**	985,425	37,457
Total Receipts	8,686,375	**8,484,202**	8,676,094	(191,892)
Expenditures				
Instruction	5,310,816	**5,464,472**	6,034,750	(570,278)
Student Support Services	1,908,117	**2,141,425**	1,994,550	146,875
Instructional Support Staff	65,096	**58,884**	78,500	(19,616)
Administration	451,226	**537,040**	560,750	(23,710)
Central Services	272,840	**266,473**	301,818	(35,345)
Operations and Maintenance	32,995	**34,926**	40,500	(5,574)
Vehicle Operation Services	152,281	**161,453**	171,200	(9,747)
CARES Expenditures	172,015	**-**	-	-
Facility Acquisition	-	**82,864**	-	82,864
Total Expenditures	8,365,386	**8,747,537**	9,182,068	(434,531)
Receipts Over (Under) Expenditures	320,989	**(263,335)**		
Unencumbered Cash - Beginning	2,001,034	**2,322,023**		
Unencumbered Cash - Ending	$ 2,322,023	**2,058,688**		

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Gifts and Grants Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024
(With Comparative Actual Totals for the Prior Year Ended June 30, 2023)

		Current Year		
	Prior Year Actual	**Actual**	Budget	Variance Over (Under)
Receipts				
Dane G. Hansen Foundation	$ 15,271	**20,069**	15,000	5,069
Other Gifts and Grants	1,500	**-**	-	-
Total Receipts	16,771	**20,069**	15,000	5,069
Expenditures				
Instruction	13,371	**26,300**	26,200	100
General Administration	-	**-**	100	(100)
Total Expenditures	13,371	**26,300**	26,300	-
Receipts Over (Under) Expenditures	3,400	**(6,231)**		
Unencumbered Cash - Beginning	6,234	**9,634**		
Unencumbered Cash - Ending	$ 9,634	**3,403**		

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Health Care Reserve Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2024
(With Comparative Actual Totals for the Prior Year Ended June 30, 2023)

		Prior Year Actual	**Current Year Actual**
Receipts			
Board Paid Health Benefit	$	1,185,995	**1,300,932**
Employee Health Cost		334,877	**284,293**
Retiree Health Cost		1,067	**1,558**
Total Receipts		1,521,939	**1,586,783**
Expenditures			
Health Care		1,684,760	**1,522,640**
Receipts Over (Under) Expenditures		(162,821)	**64,143**
Unencumbered Cash - Beginning		467,729	**304,908**
Unencumbered Cash - Ending	$	304,908	**369,051**

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Professional Development Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024
(With Comparative Actual Totals for the Prior Year Ended June 30, 2023)

		Current Year		
	Prior Year Actual	**Actual**	Budget	Variance Over (Under)
Receipts				
Local Sources				
Payments From Districts	$ 25,031	**37,693**	37,500	193
State Aid	5,892	**20**	10,000	(9,980)
Total Receipts	30,923	**37,713**	47,500	(9,787)
Expenditures				
Instructional Support Staff	32,505	**47,460**	53,500	(6,040)
Receipts Over (Under) Expenditures	(1,582)	**(9,747)**		
Unencumbered Cash - Beginning	11,329	**9,747**		
Unencumbered Cash - Ending	$ 9,747	**-**		

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636, KANSAS

Single Audit Information

INDEPENDENT AUDITORS' 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*

To the Board of Directors
North Central Kansas Special Education Cooperative Interlocal No. 636
Phillipsburg, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of **North Central Kansas Special Education Cooperative Interlocal No. 636**, as of and for the year ended June 30, 2024, and the related notes to the financial statement, and have issued our report thereon dated February 17, 2025. The report on the audited financial statement was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unqualified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered **North Central Kansas Special Education Cooperative Interlocal No. 636's** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of **North Central Kansas Special Education Cooperative Interlocal No. 636's** internal control. Accordingly, we do not express an opinion on the effectiveness of **North Central Kansas Special Education Cooperative Interlocal No. 636'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 Cooperative's financial statement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **North Central Kansas Special Education Cooperative Interlocal No. 636's** financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Central Kansas Special Education Cooperative Interlocal No. 636's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on **North Central Kansas Special Education Cooperative Interlocal No. 636's** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **North Central Kansas Special Education Cooperative Interlocal No. 636's** response was not subjected to the other auditing procedures applied in the audit of the financial statement 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 Cooperative'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.

Adams Brown, LLC

ADAMSBROWN, LLC
Certified Public Accountants
Hays, Kansas

February 17, 2025

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

To the Board of Directors
North Central Kansas Special Education Cooperative Interlocal No. 636
Phillipsburg, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **North Central Kansas Special Education Cooperative Interlocal No. 636's** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of **North Central Kansas Special Education Cooperative Interlocal No. 636's** major federal programs for the year ended June 30, 2024. **North Central Kansas Special Education Cooperative Interlocal No. 636's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, **North Central Kansas Special Education Cooperative Interlocal No. 636** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **North Central Kansas Special Education Cooperative Interlocal No. 636** 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 **North Central Kansas Special Education Cooperative Interlocal No. 636'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 **North Central Kansas Special Education Cooperative Interlocal No. 636's** federal programs.

Auditors' 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 **North Central Kansas Special Education Cooperative Interlocal No. 636'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 **North Central Kansas Special Education Cooperative Interlocal No. 636'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 **North Central Kansas Special Education Cooperative Interlocal No. 636'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 **North Central Kansas Special Education Cooperative Interlocal No. 636'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 **North Central Kansas Special Education Cooperative Interlocal No. 636'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 Auditors' 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.



ADAMSBROWN, LLC
Certified Public Accountants
Hays, Kansas

February 17, 2025

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/ Pass-through Grantor/ or Cluster Title	Federal Assistance Listing Number	Pass-through Identifying Number	**Total Federal Expenditures**
U.S. Department of Education			
Passed through Kansas Department of Education			
Special Education (IDEA) Cluster			
Special Education - Grants to States	84.027	H027A230031	$ **938,212**
Special Education - Grants to States	84.027	H027A230031 - TIP	**37,554**
Special Education - Preschool Grants	84.173	H173A230034	**47,116**
Total Expenditures of Federal Awards			$ **1,022,882**

Note: There were no awards to subrecipients during the year.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **North Central Kansas Special Education Cooperative Interlocal No. 636** under programs of the federal government for the year ended June 30, 2024. 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), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are presented in accordance with the regulatory basis of accounting. This is 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance cost principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

The Cooperative has elected not to use the 10% de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.

NOTE 4 – OTHER EXPENDITURES

The Cooperative did not receive any federal awards in the form of noncash assistance, insurance, loans, or loan guarantees, and incurred no expenditures in relation thereof for the year ended June 30, 2024.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statement was prepared in accordance with a special purpose framework that is not in compliance with GAAP.			Unmodified	
Internal control over financial reporting:				
● Material weakness identified?	X	Yes		No
● Significant deficiency identified?		Yes	X	None Reported
● Noncompliance material to financial statements noted?		Yes	X	No

FEDERAL AWARDS

Internal control over major programs:				
● Material weakness identified?		Yes	X	No
● Significant deficiency identified?		Yes	X	None 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 2 CFR section 200.516(a)?		Yes	X	No

Identification of major programs/cluster:

Assistance Listing Number	Name of Federal Program
Special Education (IDEA) Cluster	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2024-001

Criteria or specific requirement
Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition
Proper segregation of duties does not exist in the accounting system.

Context
We determined, through inquiry and documentation of the Cooperative's internal controls, that there is a failure to properly segregate duties for the financial reporting process.

Cause
The Cooperative is unable to hire additional personnel due to its size.

Effect
Management may not become aware of problems or irregularities in a timely manner.

Recommendation
Procedures should be established and implemented to segregate duties in the receipts and expenditures cycles and strengthen internal controls. Also, involvement by the Board of Directors can mitigate the risk of errors or fraud. The Board of Directors should remain involved in the financial affairs of the Cooperative to provide oversight and independent review functions.

Views of responsible officials
See Corrective Action Plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under the Uniform Guidance.

Interlocal 636
Interlocal 636
North Central Kansas Special Education Cooperative
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Thunder Ridge
USD 110

Norton
USD 211

Northern Valley
USD 212

Smith Center
USD 237

Palco
USD 269

Plainville
USD 270

Stockton
USD 271

Phillipsburg
USD 325

Logan
USD 326

Osborne
USD 392

Natoma
USD 399

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2023-001

Condition
Proper segregation of duties does not exist in the accounting system.

Corrective Actions
The Cooperative implements segregation of duties wherever possible, given its size.

Status
Repeat Finding. See 2024-001.

SIGNIFICANT DEFICIENCY

2023-002

Condition
We determined, through testing of payroll contracts, that some were not signed by the employee and the designated individuals within management and governance.

Status
Corrected.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCY

2023-003

Federal Award
Special Education (IDEA) Cluster – 84.027 and 84.173

Compliance Requirement
Maintenance of Effort

Condition
Certain expenditure amounts reported to the State Department of Education for the Maintenance of Effort calculation were not accurate or could not be corroborated.

Status
Corrected.