

**CORE EDUCATIONAL COOPERATIVE**  
**AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CORE EDUCATIONAL COOPERATIVE

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CORE EDUCATIONAL COOPERATIVE  
COOPERATIVE OFFICIALS  
JUNE 30, 2022

School District:

Armour School District  
Burke School District  
Colome Consolidated School District  
Corsica-Stickney School District  
Gregory School District  
Kimball School District  
Lyman School District  
Mt. Vernon School District  
Plankinton School District  
Platte-Geddes School District  
Wessington Springs School District  
White Lake School District  
Wolsey-Wessington

Board Members:

Tina Westendorf  
Joe Kellen  
Joel Koskan  
Chad Clites, President  
Karen Timanus  
Lisa Pazour  
Adam Ehlers  
Dale Larsch  
Lindsay Weich  
Roxi Summerville  
Jim Burg  
Kris Pursell  
Brooke LeGrand

Advisory Board Member:

Craig Holbeck  
Rob Thompson  
Debbie O'Doan  
Scott Muckey  
Sara Anderson  
Chris Noid  
Philip Schonebaum  
Client Nelson  
Lezlie Larsen  
Joel Bailey  
Michael Ormsmith  
Robert Schroeder  
Jennifer Boomsma-Kelsey

Director:

Valerie Johnson

Business Manager:

Catrina Brown

*Schoenfish & Co., Inc.*

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

Board of Directors  
Core Educational Cooperative  
Platte, South Dakota

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 statements of the governmental activities, each major fund, and the aggregate discretely presented component units of the Core Educational Cooperative, Platte, South Dakota (Cooperative), as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated October 28, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2022-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as item 2022-002.

#### Cooperative's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Cooperative's response to the findings identified in our audit. The Cooperative's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings. The Cooperative's response was not subjected to the 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
October 28, 2022

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding 2022-001.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2022-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is a continuing audit comment since 2017.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

The Business Manager processes all transactions from beginning to end. The Business Manager also receives and disburses money, issues receipts and checks, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

RECOMMENDATION:

1. We recommend that the Core Educational Cooperative officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The Core Educational Cooperative Governing Board is responsible for the corrective action plan for this comment. This comment is due to the size of the Core Educational Cooperative, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are developing policies and attempting to provide compensating controls.

Compliance – Related Finding:Finding Number 2022-002:

The General Fund spent money in excess of amounts budgeted without sufficiently amending the budget in FY22. This is the first audit in which a similar comment has occurred.

Criteria:

SDCL 13-11 states in part, "the school board shall prepare a proposed budgeted for the next fiscal year according to the budgeting standards prescribed by the auditor general for consideration not later than the regular meeting the month of May.....Before October first, every school shall approve a budget for the anticipated obligations of each fund, except trust and agency funds, for the school fiscal year.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Condition:

The Cooperative expended money in excess of amounts budgeted without amending the budget as allowed by SDCL 13-11-3.2.

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

RECOMMENDATION:

2. We recommend that budgets be adopted in accordance with SDCL 13-11-2 and that the expenditures be limited to amounts budgeted or budget amendments be made in accordance with SDCL 13-11-3.2 to allow for expenditures.

Management's Response:

The Core Educational Cooperative officials are responsible for the corrective action plan for this comment. The Cooperative will be more careful to follow budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the Director and Business Manager at the conclusion of the audit.

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INDEPENDENT AUDITOR'S REPORT

School Board  
Core Educational Cooperative  
Platte, South Dakota

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Core Educational Cooperative, South Dakota (Cooperative), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units and each major fund of the Core Educational Cooperative as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements 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 audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 statements.

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 statements, 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 statements.
- 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 statements.
- 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Cooperative's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Cooperative's Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Cooperative has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Cooperative Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, 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 Cooperative's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
October 28, 2022

*Schoenfish & Co., Inc.*

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P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

**CORE EDUCATIONAL COOPERATIVE  
STATEMENT OF NET POSITION  
As of June 30, 2022**

	<b>Primary Government Governmental Activities</b>	<b>Component Units Dial Virtual School</b>
<b>ASSETS:</b>		
Cash and Cash Equivalents	316,494.76	436,774.64
Investments	104,090.83	716,384.38
Other Assets	115,417.09	23,100.00
Equity Interest in Dial Virtual School	588,129.51	
Net Pension Asset	496,540.45	
Capital Assets:		
Other Capital Assets, Net of Depreciation	557,279.00	
<b>TOTAL ASSETS</b>	<b>2,177,951.64</b>	<b>1,176,259.02</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Pension Related Deferred Outflows	682,686.26	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>682,686.26</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Noncurrent Liabilities:		
Due Within One Year	6,000.00	
Due in More than One Year	212,900.83	
<b>TOTAL LIABILITIES</b>	<b>218,900.83</b>	<b>0.00</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Pension Related Deferred Inflows	996,282.54	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>996,282.54</b>	<b>0.00</b>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	557,279.00	
Restricted for:		
Dial Virtual School Equity Interest		588,129.51
CORE Educational Cooperative Equity Interest		588,129.51
Special Education Purposes	362,750.39	
Unrestricted (Deficit)	725,425.14	
<b>TOTAL NET POSITION</b>	<b>1,645,454.53</b>	<b>1,176,259.02</b>

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



**CORE EDUCATIONAL COOPERATIVE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2022**

	<b>General Fund</b>	<b>Special Education Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	36,531.21	279,963.55	316,494.76
Investments	104,090.83		104,090.83
Accounts Receivable, Net		8,774.03	8,774.03
Due from Other Government	32,630.25	74,012.81	106,643.06
<b>TOTAL ASSETS</b>	<b>173,252.29</b>	<b>362,750.39</b>	<b>536,002.68</b>
<b>FUND BALANCES:</b>			
Fund Balances:			
Restricted:			
Special Education		362,750.39	362,750.39
Unassigned	173,252.29		173,252.29
<b>TOTAL FUND BALANCES</b>	<b>173,252.29</b>	<b>362,750.39</b>	<b>536,002.68</b>

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

**CORE EDUCATIONAL COOPERATIVE**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2022**

Total Fund Balances - Governmental Funds	<u>536,002.68</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>496,540.45</u>
Net component unit asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>588,129.51</u>
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	<u>557,279.00</u>
Long-term liabilities, including QZAB bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(218,900.83)</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>682,686.26</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(996,282.54)</u>
Net Position - Governmental Activities	<u><u>1,645,454.53</u></u>

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

**CORE EDUCATIONAL COOPERATIVE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2022**

	<b>General Fund</b>	<b>Special Education Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Revenue from Local Sources:			
Earnings on Investments and Deposits	408.14	313.78	721.92
Other Revenue from Local Sources:			
Rentals	5,200.00		5,200.00
Services Provided Other School Districts	35,000.00	2,172,965.63	2,207,965.63
Other	30,412.00	2,673.87	33,085.87
Revenue from State Sources:			
Other State Revenue	85,685.55	11,582.50	97,268.05
Revenue from Federal Sources:			
Grants-in-Aid:			
Restricted Grants-in-Aid Received from Federal Government Through the State		213,861.97	213,861.97
<b>Total Revenue</b>	<b>156,705.69</b>	<b>2,401,397.75</b>	<b>2,558,103.44</b>
<b>Expenditures:</b>			
Support Services:			
Students:			
Attendance and Social Work		71,884.94	71,884.94
Guidance		127,031.03	127,031.03
Psychological		372,306.34	372,306.34
Speech Pathology		909,572.00	909,572.00
Student Therapy Services		315,899.46	315,899.46
Instructional Staff:			
Improvement of Instruction		14,294.49	14,294.49
Educational Media	1,370.60	32,183.58	33,554.18
General Administration:			
Board of Education		54,359.70	54,359.70
Executive Administration		157,424.06	157,424.06
Business:			
Fiscal Services		86,880.59	86,880.59
Operation and Maintenance of Plant	25,898.00	21,345.93	47,243.93
Central:			
Planning	78,107.03		78,107.03
Special Education:			
Other Special Education Costs		160,240.50	160,240.50
Debt Service	2,000.00		2,000.00
Capital Outlay	259,900.83	103,860.00	363,760.83
<b>Total Expenditures</b>	<b>367,276.46</b>	<b>2,427,282.62</b>	<b>2,794,559.08</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(210,570.77)</b>	<b>(25,884.87)</b>	<b>(236,455.64)</b>

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



**CORE EDUCATIONAL COOPERATIVE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2022**

	<b>General Fund</b>	<b>Special Education Fund</b>	<b>Total Governmental Funds</b>
<b>Other Financing Sources:</b>			
General Long-Term Debt Issued	220,900.83		220,900.83
Sale of Surplus Property	6,581.00		6,581.00
Compensation for Loss of General Capital Assets	6,166.00		6,166.00
Total Other Financing Sources (Uses)	233,647.83	0.00	233,647.83
Net Change in Fund Balances	23,077.06	(25,884.87)	(2,807.81)
Fund Balance - Beginning	150,175.23	388,635.26	538,810.49
<b>FUND BALANCE - ENDING</b>	<b>173,252.29</b>	<b>362,750.39</b>	<b>536,002.68</b>

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

**CORE EDUCATIONAL COOPERATIVE**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances to the Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2022**

Net Change in Fund Balances - Total Governmental Funds	<u>(2,807.81)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>428,860.00</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(47,106.00)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds, if any, from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	<u>(2,650.00)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>6,000.00</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	<u>(290,000.00)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (change in equity interest)	<u>135,398.09</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (pension expense)	<u>5,520.94</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>223,704.81</u>
Change in Net Position of Governmental Activities	<u><u>456,920.03</u></u>

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

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cooperative conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity:

The reporting entity of Core Educational Cooperative (Cooperative) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Cooperative is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Cooperative (primary government). The Cooperative may also be financially accountable for another organization if that organization is fiscally dependent on the Cooperative.

The Dial Virtual School of the Core Cooperative of Platte, South Dakota is a proprietary fund-type, discretely-presented component unit. The members of the Core Cooperative board and the Dial Corporation board comprise the Board of Directors of the Dial Virtual School. The Cooperative recruits and employs the management personnel and other workers. Separately issued financial statements of the Dial Virtual School may be obtained from: Core Educational Cooperative, P.O. Box 518, Platte, SD 57369.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through fees, intergovernmental revenues, and other non-exchange revenues. Discretely presented component units are legally separate organizations that meet criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Cooperative's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Cooperative or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Cooperative financial reporting entity are described below within their respective fund types:

**Governmental Funds:**

**General Fund** – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the Cooperative, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major Fund.

**Special Revenue Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Special Education Fund** – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside with the member school districts. This fund is financed by grants and assessments by member school districts. This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**Measurement Focus:**

**Government-wide Financial Statements:**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

**Fund Financial Statements:**

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**Basis of Accounting:**

**Government-wide Financial Statements:**

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

**Fund Financial Statements:**

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Core Educational Cooperative, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2022 are grants and tuition fees.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

**Government-Wide Statements:**

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated acquisition value on the date donated.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Interest costs incurred during the construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2022, balance of capital assets for governmental activities is all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 0.00	----N/A----	-----N/A-----
Buildings & Improvements	\$ 25,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	10-50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

f. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the Cooperative's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applications, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

g. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

h. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in three components.

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguishes between Nonspendable, Restricted, Committed, Assigned or Unassigned components.

i. Application of Net Position:

It is the Cooperative's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

j. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Cooperative classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Cooperative uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

requiring dollar for dollar spending. Additionally, the Cooperative would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Cooperative does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund:	Revenue Source:
Special Education	Grant Revenue and Charges for Services Provided

**2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK**

The Cooperative follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** – The Cooperative's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**Investments** – In general, SDCL 4-5-6 permits cooperative funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of June 30, 2022, the Cooperative did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

**Credit Risk** – State law limits eligible investments for the Cooperative, as discussed above. The Cooperative has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** – The Cooperative places no limit on the amount that may be invested in any one issuer.

**Interest Rate Risk** – The Cooperative does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Cooperative's policy is to credit all income from investments to the fund making the investment.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

3. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

The Cooperative is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended 6/30/22
General Fund	\$ 211,538.46

The Governing Board plans to use supplemental budgets when legal authority allows to address this violation.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Cooperative expects all receivables to be collected within one year.

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022, is as follows:

	Balance 07/01/2021	Increases	Decreases	Balance 06/30/2022
Primary Government:				
Governmental Activities:				
Capital Assets, being depreciated:				
Buildings		290,000.00		290,000.00
Machinery & Equipment	271,565.00	138,860.00	(4,416.00)	406,009.00
Total, being depreciated	271,565.00	428,860.00	(4,416.00)	696,009.00
Less Accumulated Depreciation for:				
Machinery & Equipment	(93,390.00)	(47,106.00)	1,766.00	(138,730.00)
Total Accumulated Depreciation	(93,390.00)	(47,106.00)	1,766.00	(138,730.00)
Total Capital Assets, being depreciated, net	178,175.00	381,754.00	(2,650.00)	557,279.00
Governmental Activity Capital Assets, Net	178,175.00	381,754.00	(2,650.00)	557,279.00

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Support Services	\$ 47,106.00

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

6. LONG-TERM LIABILITIES

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Financing (Capital Acquisition) Leases-Building	0.00	220,900.83	(2,000.00)	218,900.83	6,000.00
Total Governmental Activities	<u>0.00</u>	<u>220,900.83</u>	<u>(2,000.00)</u>	<u>218,900.83</u>	<u>6,000.00</u>
Total Primary Government	<u>0.00</u>	<u>220,900.83</u>	<u>(2,000.00)</u>	<u>218,900.83</u>	<u>6,000.00</u>

Liabilities payable at June 30, 2022 are comprised of the following:

Financing (Capital Acquisition) Lease:  
 Financing (Capital Acquisition) Lease  
 For Building  
 Maturity Date: December 18, 2059  
 Interest Rate: 0.00%  
 Payable from General Fund \$ 218,900.83

The purchase price at the commencement of the financing (capital acquisition) lease was:

Total Lease	\$ 220,900.83
Interest	<u>0.00</u>
	<u>\$ 220,900.83</u>

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities of \$218,900.83 include the following provisions:

- a. The financing capital acquisition leases include provisions that in an event of default, outstanding amounts may become immediately due and payable and may also require the surrender of the collateralized office building. Collateralized property on the financing capital acquisition lease includes the office building.

Primary Government

The annual requirements to amortize all debt outstanding as of June 30, 2022, except for compensated absences, are as follows:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Annual Requirements to Maturity for Long-Term  
Debt  
June 30, 2022

Year Ending June 30,	Building Lease Purchase	
	Principal	Interest
2023	6,000.00	
2024	6,000.00	
2025	6,000.00	
2026	6,000.00	
2027	6,000.00	
2028-2032	30,000.00	
2033-2038	30,000.00	
2039-2044	30,000.00	
2045-2048	30,000.00	
2049-2053	30,000.00	
2054-2058	30,000.00	
2059-2060	8,900.83	
Totals	<u>218,900.83</u>	<u>0.00</u>

7. RESTRICTED NET POSITION

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

Purpose	Restricted By:	Amount
Major Funds:		
Special Education	Law	\$ 362,750.39
Total Restricted Net Position		<u>\$ 362,750.39</u>

8. RESTATEMENT OF PRIOR PERIOD

The School District signed a lease-purchase agreement in 2022 that had a clause for prior year lease payments to be credited to the lease purchase price. As a result, beginning net position has been restated to reflect the reclassification of prior lease payments as follows:

Net Position July 1, 2021, as previously reported	Governmental Activities <u>\$ 1,123,435.33</u>
Restatement:	
Add Building Cost for Previous Lease Payments	65,099.17
Net Position July 1, 2021, as Restated	<u>\$ 1,188,534.50</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

9. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Cooperative's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021 and 2020, were \$93,802.92, \$88,281.98, and \$83,156.52, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2021, SDRS is 105.52% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Cooperative as of the measurement period ending June 30, 2021 and reported by the Cooperative as of June 30, 2022 are as follows:

Proportionate share of pension liability	\$ 8,990,538.44
Less proportionate share of net pension restricted for pension benefits	<u>\$ 9,487,078.89</u>
Proportionate share of net pension liability (asset)	<u>\$ (496,540.45)</u>

At June 30, 2021, the Cooperative reported a liability (asset) of \$(496,540.45) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Cooperative's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Cooperative's proportion was 0.06483700%, which is an increase (decrease) of 0.0016875% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Cooperative recognized pension expense (reduction of pension expense) of (\$229,225.76). At June 30, 2022, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 17,827.10	\$ 1,301.82
Changes in assumption.	\$ 571,016.47	\$ 248,660.29
Net Difference between projected and actual earnings on pension plan investments.		\$ 709,317.98
Changes in proportion and difference between Cooperative contributions and proportionate share of contributions.	\$ 39.78	\$ 37,002.45
Cooperative contributions subsequent to the measurement date.	<u>\$ 93,802.92</u>	<u>                    </u>
<b>TOTAL</b>	<u><u>\$ 682,686.27</u></u>	<u><u>\$ 996,282.54</u></u>

\$93,802.92 reported as deferred outflow of resources related to pensions resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	
2023	\$ (124,688.77)
2024	(65,351.96)
2025	(17,815.79)
2026	<u>(199,542.67)</u>
<b>TOTAL</b>	<u><u>\$ (407,399.19)</u></u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50 percent net of plan investment expense. This is composed of an average inflation rate and real returns of 4.25%
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the Cooperative's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent as well as what the Cooperative's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Cooperative's proportionate share of the net pension liability (asset)	\$ 804,022.53	\$(496,540.45)	\$(1,552,294.85)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**10. FINANCING OF COOPERATIVE**

Local financing of the Cooperative is raised by each member school district contributing \$35,000 per year plus a pro-rated share of said amount based upon the number of special education children enrolled at each member district.

The members of the Cooperative and their relative percentage participation in the Cooperative are as follows:

Armour School District No. 21-1	5.98%
Burke School District No. 26-2	6.13%
Colome Consolidated School District No. 59-3	6.59%
Corsica-Stickney School District No. 21-3	6.29%
Gregory School District No. 26-4	8.74%
Kimball School District No. 7-2	8.28%
Lyman School District No. 42-1	7.52%
Mt. Vernon School District No. 17-3	6.90%
Plankinton School District No. 1-1	9.67%
Platte-Geddes School District No. 11-5	10.74%
Wessington Springs School District No. 32-6	8.44%
White Lake School District No. 1-3	3.98%
Wolsey-Wessington School District No. 2-6	10.74%

**11. RISK MANAGEMENT**

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2022, the Cooperative managed its risks as follows:

**Liability Insurance:**

The Cooperative purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**Worker's Compensation:**

The Cooperative purchases liability insurance for worker's compensation from a commercial carrier.

**Unemployment Benefits:**

The Cooperative has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

At June 30, 2022, no claims had been filed or were outstanding. It is not anticipated that any claims for unemployment benefits will be filed in the next fiscal year.

**12. SIGNIFICANT CONTINGENCIES – LITIGATION**

At June 30, 2022, the Cooperative was not involved in any significant litigation.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

13. RELATED PARTY DISCLOSURE

Five board members of Core Educational Cooperative were also board members of Mid Central Educational Cooperative. Mid Central Educational Cooperative ceased normal operations as of June 30, 2017.

The Core Educational Cooperative is in a joint venture with The Dial Corporation for the Dial Virtual School. The Dial Virtual School has been disclosed as a component unit on the Core Educational Cooperative's financial statements. The director of the Core Educational Cooperative is also the executive director of The Dial Corporation. The business manager of the Core Educational Cooperative is also the Administrative Assistant for the Dial Corporation. Profits are split 50/50 not to exceed \$20,000 per year to each organization. Part of the agreement states that the Core Educational Cooperative will hire the administrator and the Dial Virtual School will pay the Core Educational Cooperative for this service. These amounts will be reported as revenues and expenditures of the Core Educational Cooperative and also as expenses of the Dial Virtual School. The Core Educational Cooperative's equity interest in the Dial Virtual School is 50% and has been reported in the government-wide financial statements.

The above instances could cause a conflict of interest when making decisions on behalf of these entities.

14. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through October 28, 2022, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CORE EDUCATIONAL COOPERATIVE**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from Local Sources:				
Earnings on Investments and Deposits	0.00	0.00	408.14	408.14
Other Revenue from Local Sources:				
Rentals	4,800.00	4,800.00	5,200.00	400.00
Day Care Services	35,000.00	35,000.00	35,000.00	0.00
Other	30,000.00	30,000.00	30,412.00	412.00
Revenue from State Sources:				
Other State Revenue	85,938.00	85,938.00	85,685.55	(252.45)
<b>Total Revenue</b>	<b>155,738.00</b>	<b>155,738.00</b>	<b>156,705.69</b>	<b>967.69</b>
<b>Expenditures:</b>				
Support Services:				
Instructional Staff:				
Educational Media	1,400.00	1,400.00	1,370.60	29.40
Business:				
Facilities Acquisition and Construction	6,000.00	6,000.00	224,900.83	(218,900.83)
Operation and Maintenance of Plant	65,000.00	65,000.00	60,898.00	4,102.00
Central:				
Planning	83,338.00	83,338.00	78,107.03	5,230.97
Debt Service	0.00	0.00	2,000.00	(2,000.00)
<b>Total Expenditures</b>	<b>155,738.00</b>	<b>155,738.00</b>	<b>367,276.46</b>	<b>(211,538.46)</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>0.00</b>	<b>0.00</b>	<b>(210,570.77)</b>	<b>(210,570.77)</b>
<b>Other Financing Sources:</b>				
Sale of Surplus Property	0.00	0.00	6,581.00	6,581.00
General Long Term Debt Issued	0.00	0.00	220,900.83	220,900.83
Compensation for Loss of General Capital Assets	0.00	0.00	6,166.00	6,166.00
<b>Total Other Financing Sources (Uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>233,647.83</b>	<b>233,647.83</b>
<b>Net Change in Fund Balances</b>	<b>0.00</b>	<b>0.00</b>	<b>23,077.06</b>	<b>23,077.06</b>
Fund Balance - Beginning	150,175.23	150,175.23	150,175.23	0.00
<b>FUND BALANCE - ENDING</b>	<b>150,175.23</b>	<b>150,175.23</b>	<b>173,252.29</b>	<b>23,077.06</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CORE EDUCATIONAL COOPERATIVE**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL EDUCATION FUND**  
**For the Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Earnings on Investments and Deposits	0.00	0.00	313.78	313.78
Other Revenue from Local Sources:				
Services Provided Other School Districts	2,142,851.44	2,142,851.44	2,172,965.63	30,114.19
Other	0.00	0.00	2,673.87	2,673.87
Revenue from State Sources:				
Other State Revenue	11,582.50	11,582.50	11,582.50	0.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	204,299.76	204,299.76	213,861.97	9,562.21
<b>Total Revenue</b>	<b>2,358,733.70</b>	<b>2,358,733.70</b>	<b>2,401,397.75</b>	<b>42,664.05</b>
<b>Expenditures:</b>				
Support Services:				
Students:				
Attendance and Social Work	73,950.00	73,950.00	71,884.94	2,065.06
Guidance	127,870.00	127,870.00	127,031.03	838.97
Psychological	378,750.00	378,750.00	372,306.34	6,443.66
Speech Pathology	917,763.00	917,763.00	909,572.00	8,191.00
Student Therapy Services	323,350.00	332,839.32	315,899.46	16,939.86
Instructional Staff:				
Improvement of Instruction	18,500.00	18,500.00	14,294.49	4,205.51
Educational Media	29,000.00	32,183.58	32,183.58	0.00
General Administration:				
Board of Education	66,000.00	66,000.00	54,359.70	11,640.30
Executive Administration	161,410.00	161,410.00	157,424.06	3,985.94
Business:				
Fiscal Services	89,390.00	89,390.00	86,880.59	2,509.41
Operation and Maintenance of Plant	69,300.00	125,205.93	125,205.93	0.00
Special Education				
Other Special Education Costs	173,450.71	173,450.71	160,240.50	13,210.21
Contingencies				
Amount Transferred	20,000.00	20,000.00		
		(20,000.00)		0.00
<b>Total Expenditures</b>	<b>2,448,733.71</b>	<b>2,497,312.54</b>	<b>2,427,282.62</b>	<b>70,029.92</b>
<b>Net Change in Fund Balances</b>	<b>(90,000.01)</b>	<b>(138,578.84)</b>	<b>(25,884.87)</b>	<b>112,693.97</b>
Fund Balance - Beginning	388,635.26	388,635.26	388,635.26	0.00
<b>FUND BALANCE - ENDING</b>	<b>298,635.25</b>	<b>250,056.42</b>	<b>362,750.39</b>	<b>112,693.97</b>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATIONJune 30, 2022Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.Note 1. Budgets and Budgetary Accounting:

The Cooperative followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated by number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total Cooperative budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
10. Formal budgetary integration is employed as a management control device during the year for the Special Fund.
11. Budgets for the Special Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Student Transportation function of government, along with all other current Student Transportation related expenditures.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE COOPERATIVE'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

## South Dakota Retirement System

## Last Four Fiscal Years \*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cooperative's proportion of the net pension liability/asset	0.0648370%	0.0631495%	0.0604561%	0.0567206%
Cooperative's proportionate share of net pension liability (asset)	\$ (496,540)	\$ (2,743)	\$ (6,407)	\$ (1,323)
Cooperative's covered-employee payroll	\$ 1,471,364	\$ 1,385,943	\$ 1,285,420	\$ 1,179,160
Cooperative's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.75%	0.20%	0.50%	0.11%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. This was a new entity in 2018 so information prior to 2019 does not exist. Until a full 10-year trend is compiled, the Cooperative will present information for those years in which information is available.

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE COOPERATIVE CONTRIBUTIONS

South Dakota Retirement System

Last Five Fiscal Years \*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 93,803	\$ 88,282	\$ 83,157	\$ 77,125	\$ 70,750
Contributions in relation to the contractually required contribution	<u>\$ 93,803</u>	<u>\$ 88,282</u>	<u>\$ 83,157</u>	<u>\$ 77,125</u>	<u>\$ 70,750</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cooperative's covered-employee payroll	\$ 1,563,376	\$ 1,471,364	\$ 1,385,943	\$ 1,285,420	\$ 1,179,160
Contributions as a percentage of covered-employee payroll	6.0%	6.0%	6.0%	6.0%	6.0%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. This was a new entity in 2018 so information prior to 2018 does not exist. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2022**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.

**Changes from Prior Valuation**

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

**Benefit Provision Changes**

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

**Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

**Actuarial Method Changes**

No changes in actuarial methods were made since the prior valuation.