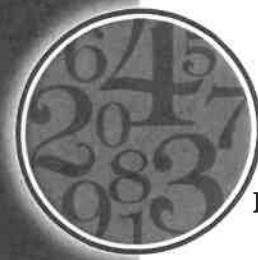


**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT
FOR THE YEAR THEN ENDED
JUNE 30, 2025**

NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
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CAHILL BAUER & ASSOCIATES, LLC

C E R T I F I E D P U B L I C A C C O U N T A N T S A N D C O N S U L T A N T S

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*

To the Board of Directors
North Central Special Education Cooperative

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of North Central Special Education Cooperative, South Dakota, Cooperative, as of and for the year ended June 30, 2025, 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 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Central Special Education Cooperative's internal control over financial reporting (internal control) as a basis for designing 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 over financial reporting. 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 control 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We consider the deficiencies described in the accompanying Schedule of Prior and Current Audit Findings as items 2025-001 through 2025-002 to be material weaknesses.

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Central Special Education 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. 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*.

Cooperative's Responses 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 are described in the accompanying Schedule of Prior and Current Audit Findings. The Cooperative's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Cahill Bauer

Cahill Bauer & Associates, LLC

Mobridge, South Dakota

October 30, 2025

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2025**

PRIOR AUDIT FINDINGS

Finding Number 2024-001

Internal control over financial reporting and compliance is not adequate.

Current Status

Condition still exists, see current audit finding number 2025-001.

Finding Number 2024-002

The Cooperatives's internal control structure does not provide for the preparation of financial statements in accordance with generally accepted accounting principles.

Current Status

This finding has not been corrected and is restated as finding 2025-002. Due to cost considerations, the Cooperative accepts the risks associated with the auditors preparing the financial statements. The cooperative will implement compensating controls where practical.

Finding Number 2024-003

The Cooperative's internal control did not ensure that all payroll deductions were properly setup.

Current Status

This condition has been corrected.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Internal Control-Related Findings: Material Weaknesses

Finding 2025-001

Criteria

To obtain adequate internal control over cash management, the duties of collecting and handling of cash must be segregated from the recording of the cash transaction. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process.

Statement of Condition

A lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. The business manager processed all revenue transactions from beginning to end. The business manager received money, issued receipts, recorded receipts, posted receipts in the accounting records, prepared bank deposits, reconciled bank statements and prepared financial statements. As a result, an inadequate segregation of duties existed for the revenue function of the Cooperative.

Cause and Effect

Inaccurate financial statement and/or misappropriations of funds could result from a lack of segregation of duties.

Identification as a repeat finding

Yes, prior year finding since 2008.

Recommendation

We recommend that Cooperative's 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.

Views of Responsible Officials

The business manager, Becky Hubsch, is the contact person responsible for the corrective action plan for this comment. The cooperative is continuing to work on correcting this deficiency.

Finding 2025-002

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Statement of Condition

The Cooperative does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2025**

Cause and Effect

This condition may affect the Cooperative's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Repeat Finding from Prior Years: Yes, prior year finding from 2008.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

The business manager, Becky Hubsch, is the contact person responsible for the corrective action plan for this comment. The Cooperative is continuing to work on correcting this deficiency.

NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 589,152
Due from Government	59,171
Net Pension Asset	894
TOTAL ASSETS	649,217
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows	180,838
TOTAL DEFERRED OUTFLOWS OF RESOURCES	180,838
LIABILITIES	
Other Current Liabilities	115,394
TOTAL LIABILITIES	115,394
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferred Inflows	112,879
TOTAL DEFERRED INFLOWS OF RESOURCES	112,879
NET POSITION	
Restricted for SDRS Pension Purposes	68,853
Restricted for Special Education	503,279
Unrestricted	29,650
TOTAL NET POSITION	\$ 601,782

NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total Governmental Activities
Primary Government:					
Governmental Activities					
Instruction	\$ 191,508	\$ 107,485	\$ 145,426	\$ 61,403	\$ 61,403
Support Services	904,522	330,075	554,849	(19,598)	(19,598)
Total Governmental Activities	<u>\$ 1,096,030</u>	<u>437,560</u>	<u>700,275</u>	<u>41,805</u>	<u>41,805</u>
Total Primary Government	<u>\$ 1,096,030</u>	<u>\$ 437,560</u>	<u>\$ 700,275</u>	<u>41,805</u>	<u>41,805</u>
General Revenues:					
Unrestricted Investment Earnings				\$ 6,346	\$ 6,346
Other General Revenues				1,162	1,162
Total General Revenues				<u>7,508</u>	<u>7,508</u>
Change in Net Position				49,313	49,313
Net Position - Beginning				<u>552,469</u>	<u>552,469</u>
Net Position - Ending				<u>\$ 601,782</u>	<u>\$ 601,782</u>

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

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	Special Education Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 27,244	\$ 561,908	\$ 589,152
Due from Government	<u>3,488</u>	<u>55,683</u>	<u>59,171</u>
Total Assets	<u><u>30,732</u></u>	<u><u>617,591</u></u>	<u><u>648,323</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Contracts Payable	953	101,458	102,411
Payroll Deductions and Withholdings Payable and Employer Matching Payable	<u>129</u>	<u>12,854</u>	<u>12,983</u>
Total Liabilities	<u><u>1,082</u></u>	<u><u>114,312</u></u>	<u><u>115,394</u></u>
Fund Balances:			
Restricted			
Special Education	<u>-</u>	<u>491,279</u>	<u>491,279</u>
Assigned			
Unemployment	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Unassigned	<u>29,650</u>	<u>-</u>	<u>29,650</u>
Total Fund Balances	<u><u>29,650</u></u>	<u><u>503,279</u></u>	<u><u>532,929</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 30,732</u></u>	<u><u>\$ 617,591</u></u>	<u><u>\$ 648,323</u></u>

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total Fund Balances - Government Funds	\$	532,929
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.		894
Pension related deferred outflows are components of pension (liability) asset and therefore are not reported in the funds.		180,838
Pension related deferred inflows are components of pension (liability) asset and therefore are not reported in the funds.		<u>(112,879)</u>
Total Net Position - Governmental Activities	\$	<u>601,782</u>

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	Special Education Fund	Total Governmental Funds
REVENUES			
Earnings on Investments and Deposits	\$ -	\$ 6,346	\$ 6,346
Other Revenue from Local Sources			
Service Provided Other LEAs	30,000	407,560	437,560
Other	-	1,162	1,162
Total Revenue from Local Sources	30,000	415,068	445,068
Revenue from Federal Sources			
Restricted Grants-in-Aid Received from			
Federal Government Through State	247	690,680	690,927
Other	9,348	-	9,348
Total Revenue from Federal Sources	9,595	690,680	700,275
TOTAL REVENUES	\$ 39,595	\$ 1,105,748	\$ 1,145,343

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	Special Education Fund	Total Governmental Funds
EXPENDITURES			
Instruction			
Special Programs			
Programs for special education	\$ 1,473	\$ 184,757	\$ 186,230
Total Instruction	<u>1,473</u>	<u>184,757</u>	<u>186,230</u>
Support Services			
Pupils:			
Psychological	6,576	146,173	152,749
Speech Pathology	-	485,507	485,507
Instructional Staff:			
Improvement of Instruction	6,939	65,551	72,490
General Administration	-	54,392	54,392
Executive Administration	-	-	-
Business			
Fiscal Services	-	119,453	119,453
Total Support Services	<u>13,515</u>	<u>871,076</u>	<u>884,591</u>
TOTAL EXPENDITURES	<u>14,988</u>	<u>1,055,833</u>	<u>1,070,821</u>
Net Change in Fund Balances	24,607	49,915	74,522
Fund Balance - Beginning	<u>5,043</u>	<u>453,364</u>	<u>458,407</u>
Fund Balance - Ending	<u>\$ 29,650</u>	<u>\$ 503,279</u>	<u>\$ 532,929</u>

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2025**

Total net change in fund balances - government funds	\$	74,522
Amounts reported for governmental activities in the statement of activities are different because:		
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 the funds. e.g., pension expense.		<u>(25,209)</u>
Total Change in Net Position - Governmental Activities	\$	<u>49,313</u>

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

The North Central Special Education Cooperative was formed in 1971. The Cooperative consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal 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 Cooperative's financial statements to be misleading or incomplete. During fiscal year 2017, the Cooperative changed its board of record from Groton Area School District's board to a separate governing board of elected officials.

The Cooperative is a joint venture that is composed of nine school districts. The Cooperative was formed for the purpose of assisting the member school districts in providing appropriate educational services for all children and to offer, on a cooperative fee assessment basis, services that the member school districts would not be able to provide as effectively or as economically acting alone. Assessments are made based on each member school district's enrollment as listed in the State of South Dakota - Division of Education - Educational Directory. The members of the Cooperative and their relative percentage participation are as follows:

<u>School District</u>	<u>Percentage</u>
Doland	6.0%
Edmunds Central	5.6%
Frederick Area	7.6%
Groton Area	25.4%
Hitchcock-Tulare	9.6%
Langford Area	9.6%
Leola	8.1%
Northwestern Area	14.7%
Warner	13.4%
 Total	 100.0%

NOTES TO FINANCIAL STATEMENTS - Page 2
(See Independent Auditors' Report)

b. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities, equal net position). Net Positions are displayed in three components, as applicable, net invested 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 and 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.

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 three major categories. A fund is considered major if its 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 and enterprise 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:

NOTES TO FINANCIAL STATEMENTS - Page 3
(See Independent Auditors' Report)

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 within the Cooperative. This fund is financed by grants and programs. 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, the 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 government funds.

Basis of Accounting

Government-wide Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, governmental 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).

NOTES TO FINANCIAL STATEMENTS - Page 4
(See Independent Auditors' Report)

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, 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 the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the North Central Special Education Cooperative, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2025 are federal reimbursements.

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 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 the general long-term debt which are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental activity column.

e. Deposits and Investments

For the purpose of financial reporting, "cash and cash equivalents" including all demand and savings accounts and certificates of deposit of 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.

f. Capital Assets

Capital assets would include 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 used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

NOTES TO FINANCIAL STATEMENTS - Page 5
(See Independent Auditors' Report)

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

At June 30, 2025, the Cooperative does not have any capital assets.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/Amortization Method		Estimated Useful Life
Land	All		N/A	N/A
Improvements	\$ 5,000	Straight-line		15-25 years
Buildings	\$ 25,000	Straight-line		50 years
Machinery and Equipment	\$ 5,000	Straight-line		5-20 years
Intangible lease assets	\$ 5,000	Straight-line		5-10 years
Intangible subscription assets	\$ 5,000	Straight-line		3-20 years

The Cooperative does not own any land, if they did it would be considered an inexhaustible capital asset and would not be 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.

g. Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The Cooperative does not have any long-term liabilities as of June 30, 2025.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

NOTES TO FINANCIAL STATEMENTS - Page 6
(See Independent Auditors' Report)

h. 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:

- a: Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from goods, services, or privileges provided, or otherwise directly affected by the services.
- b: 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.
- c: 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.

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

j. Equity Classifications

Government-wide Statements

Equity is classified as Net Position and is displayed in three components:

- a: Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation 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.
- b: Restricted Net Position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS - Page 7
(See Independent Auditors' Report)

c: Unrestricted Net Position - All other net assets 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 may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components.

k. 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.

l. 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 Cooperative Board.

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 or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

The purpose of the only Special Revenue fund is for Special Education. The revenue sources are services provided to member schools and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS - Page 8
(See Independent Auditors' Report)

m. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Cooperative contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Cooperative follows the practice of aggregating the cash assets of various funds in some instances 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. Deposits are reported at cost, plus interest, if the account is of the add-on type.

Investments - In general, SDCL 4-5-6 permits cooperative funds to be invested only 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, 2025, the Cooperative does not have any investments.

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.

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(See Independent Auditors' Report)

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.

NOTE 3 - PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit pension plan designed with several defined contribution plan type provisions and is 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. 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://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 four classes of members: Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation 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 public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

NOTES TO FINANCIAL STATEMENTS - Page 10
(See Independent Auditors' Report)

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 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 3rd 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 3rd 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.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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% of salary; Class B Judiciary 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 years ended June 30, 2025, 2024, and 2023 were \$39,056, \$37,186, and \$41,813, respectively, equal to the required contributions each year.

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(See Independent Auditors' Report)

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

At June 30, 2024, SDRS is 100.03% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Cooperative as of the measurement period ending June 30, 2024 and reported by the Cooperative as of June 30, 2025 are as follows:

Proportionate share of total pension liability	\$ 3,295,593
Less proportionate share of net position restricted for pension benefits	3,296,487
Proportionate share of net pension liability (asset)	<u><u>\$ (894)</u></u>

At June 30, 2025, the Cooperative reported an asset of \$894 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024 and the total pension asset used to calculate the net pension 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, 2024, the Cooperative's proportion was .0220910%, which is a decrease of .0049270% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Cooperative recognized pension expense of \$25,209. At June 30, 2025, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 82,807	\$ -
Changes in assumption	14,743	112,382
Net difference between projected and actual earnings on pension plan investments	33,684	-
Changes in proportion and difference between Cooperative contributions and proportionate share of contributions	10,548	497
Cooperative contributions subsequent to the measurement date	39,056	-
Total	<u><u>\$ 180,838</u></u>	<u><u>\$ 112,879</u></u>

NOTES TO FINANCIAL STATEMENTS - Page 12
(See Independent Auditors' Report)

\$39,056 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, 2026. 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:	
2026	(28,089)
2027	46,558
2028	7,107
2029	3,327
TOTAL	<u>\$ 28,903</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.5% net of pension plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.71%
Mortality Rates	

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above.

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

NOTES TO FINANCIAL STATEMENTS - Page 13
(See Independent Auditors' Report)

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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, 2024 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected
		Real Rate of Return
Public Equity	56.30%	3.60%
Investment Grade Debt	22.80%	2.30%
High Yield Debt	7.00%	2.80%
Real Estate	12.00%	4.00%
Cash	1.90%	0.80%
Total	100.00%	

Discount rate:

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from 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 discount rate:

The following presents the Cooperative's proportionate share of net pension liability (asset) calculated using the discount rate of 6.5%, 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:

NOTES TO FINANCIAL STATEMENTS - Page 14
(See Independent Auditors' Report)

	1% Increase	Current		1% Decrease
		Discount Rate		
Cooperative's proportionate share of the net pension liability/(asset)	\$ 454,403	\$ (894)	\$ (373,470)	

Pension Plan Fiduciary Net Position

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

NOTE 4 - LITIGATION

At June 30, 2025 the Cooperative was not involved in any litigation.

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 6 - RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees; and natural disasters. During the period ended June 30, 2025, the Cooperative managed its risks as follows:

Employee Health Insurance

The Cooperative joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local governmental entities. The Cooperative pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

The Cooperative does not carry additional health insurance to pay claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

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 provider. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

NOTES TO FINANCIAL STATEMENTS - Page 15
(See Independent Auditors' Report)

Workmen's Compensation

The Cooperative participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Cooperative's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Cooperative pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The Cooperative may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

The Cooperative does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

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

As of June 30, 2025 the Cooperative no claims had been filed for unemployment benefits and no claims are anticipated for unemployment in the next fiscal year.

NOTES TO FINANCIAL STATEMENTS - Page 16
(See Independent Auditors' Report)

NOTE 7 - RESTRICTED NET POSITION

Restricted Net Position for the year ended was as follows:

Major Purposes	Restricted By	6/30/2025
Special Education Purposes	Law	\$ 503,279
SDRS Pension Purposes	Law	\$ 68,853

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual Amounts (Budgetary Basis)		
REVENUES:					
Other Revenue from Local Sources:					
Services Provided Other LEAs	\$ 24,500	\$ 24,500	\$ 30,000	\$ 5,500	
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted Grants-in-Aid					
Received from the					
Federal Government					
Through the State	1,000	1,000	247	(753)	
Other	3,750	8,000	9,348	1,348	
Total Revenue	<u>\$ 29,250</u>	<u>\$ 33,500</u>	<u>\$ 39,595</u>	<u>\$ 6,095</u>	
EXPENDITURES:					
Instruction:					
Special Programs:					
Programs for Special Education	\$ 4,928	\$ 4,928	\$ 1,473	\$ 3,455	
Support Services:					
Pupils:					
Psychological	9,563	9,563	6,576	2,987	
Support Services-Instructional Staff:					
Improvement of Instruction	4,250	8,500	6,939	1,561	
Total Expenditures	<u>\$ 18,741</u>	<u>\$ 22,991</u>	<u>\$ 14,988</u>	<u>\$ 8,003</u>	
Excess Revenue Over/Under Expenditures	<u>10,509</u>	<u>10,509</u>	<u>24,607</u>	<u>14,098</u>	
Other Financing Sources					
Transfers Out	(14,000)	(14,000)	-	14,000	
Total Other Financing Sources	<u>(14,000)</u>	<u>(14,000)</u>	<u>-</u>	<u>14,000</u>	
Net Change in Fund Balances	(3,491)	(3,491)	24,607	28,098	
Fund Balance - Beginning	5,043	5,043	5,043	-	
Fund Balance - Ending	<u>\$ 1,552</u>	<u>\$ 1,552</u>	<u>\$ 29,650</u>	<u>\$ 28,098</u>	

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>			Variance with Final Budget	
	Original	Final	Actual Amounts (Budgetary Basis)	Positive (Negative)	
REVENUES:					
Revenue from Local Sources:					
Earnings on Investments and Deposits	\$ 900	\$ 900	\$ 6,346	\$ 5,446	
Other Revenue from Local Sources:					
Services Provided Other LEAs	409,560	409,560	407,560	(2,000)	
Other	300	300	1,162	862	
Revenue from State Sources:					
Grants-in-Aid:					
Restricted Grants-in-Aid					
Received from the					
Federal Government					
Through the State	663,591	735,686	690,680	(45,006)	
Total Revenue	\$ 1,074,351	\$ 1,146,446	\$ 1,105,748	\$ (40,698)	

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts (Budgetary Basis)	Positive (Negative)	
REVENUES:					
EXPENDITURES:					
Instruction:					
Special Programs:					
Programs for special education	\$ 198,968	\$ 207,409	\$ 184,757	\$ 22,652	
Support Services:					
Pupils:					
Psychological	214,996	238,641	146,173	92,468	
Speech Pathology	513,076	552,545	485,507	67,038	
Support Services-Instructional Staff:					
Improvement of Instruction	68,285	68,825	65,551	3,274	
Support Services-General Administration:					
Executive Administration	54,332	54,332	54,392	(60)	
Support Services-Business:					
Fiscal Services	131,382	131,382	119,453	11,929	
Total Expenditures	\$ 1,181,039	\$ 1,253,134	\$ 1,055,833	\$ 197,301	
Excess Revenue Over (Under) Expenditures	(106,688)	(106,688)	49,915	156,603	
Other Financing Sources					
Transfers In	14,000	14,000	-	(14,000)	
Total Other Financing Sources	14,000	14,000	-	(14,000)	
Net Change in Fund Balances	(92,688)	(92,688)	49,915	142,603	
Fund Balance - Beginning	453,364	453,364	453,364	-	
Fund Balance - Ending	\$ 360,676	\$ 360,676	\$ 503,279	\$ 142,603	

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

Schedules 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 Board meeting in June of each year, the Cooperative causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the Board at the first regular meeting held in the month of June of each year. The proposed budget is published for public review no later than July 15 each year. 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.
2. 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 in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total Cooperative budget and may be transferred by resolution of the Board to any other budget category.
4. 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.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the Board. No encumbrances were outstanding at June 30, 2025.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Education Fund.
7. Budgets for the General Fund and the Special Education Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2
(See Accountants' Compilation Report)

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 car 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 car would be reported as an expenditure of the Support Services-Operating & Maintenance of Plant function of government, along with all other current Operations & Maintenance project related expenditures.

NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COOPERATIVE'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2025	0.0221%	\$ (894)	\$ 619,761	-0.14%	100.03%
SDRS	6/30/2024	0.0270%	(2,637)	696,879	-0.38%	100.10%
SDRS	6/30/2023	0.0294%	(2,780)	702,336	-0.40%	100.10%
SDRS	6/30/2022	0.0286%	(219,096)	649,226	-33.75%	105.52%
SDRS	6/30/2021	0.0297%	(1,290)	651,968	-0.20%	100.04%
SDRS	6/30/2020	0.0297%	(3,148)	631,590	-0.50%	100.09%
SDRS	6/30/2019	0.0298%	(695)	619,772	-0.11%	100.02%
SDRS	6/30/2018	0.0338%	(3,066)	686,470	-0.45%	100.10%
SDRS	6/30/2017	0.0331%	111,700	628,787	17.76%	96.89%
SDRS	6/30/2016	0.0316%	(134,014)	576,888	-23.23%	104.10%

NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COOPERATIVES CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

Pension Plan	Fiscal Year Ending	Contributions in Relation to the					Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
		Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)				
SDRS	6/30/2025	\$ 39,056	\$ 39,056	\$ -	\$ 650,939		6.00%	
SDRS	6/30/2024	37,186	37,186	-	619,761		6.00%	
SDRS	6/30/2023	41,813	41,813	-	696,879		6.00%	
SDRS	6/30/2022	42,140	42,140	-	702,336		6.00%	
SDRS	6/30/2021	38,954	38,954	-	649,226		6.00%	
SDRS	6/30/2020	39,118	39,118	-	651,968		6.00%	
SDRS	6/30/2019	37,896	37,896	-	631,590		6.00%	
SDRS	6/30/2018	37,186	37,186	-	619,772		6.00%	
SDRS	6/30/2017	41,188	41,188	-	686,470		6.00%	
SDRS	6/30/2016	37,727	37,727	-	628,787		6.00%	

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS**

Changes from prior valuation

The June 30, 2024, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, Actuarial Valuation.

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

Benefit Provision Changes

During the 2024 Legislative Session no significant SDRS benefit changes were made.

Actuarial Method Changes

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

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% 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%.

As of June 30, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.