

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT
FOR THE YEAR THEN ENDED
JUNE 30, 2024**

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
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CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2024, 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 31, 2024.

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 2024-001 through 2024-003 to be material weaknesses.

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

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 31, 2024

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2024**

PRIOR AUDIT FINDINGS

Finding Number 2023-001

Initial Fiscal Year Finding Occurred: 2008

Finding Summary: The Cooperative does not have an internal control system designed for the preparation of the financial statements in accordance with generally accepted accounting principles. As part of the financial statement preparation process, at times, we propose material audit adjustments that are not identified as a result of the Cooperative's existing internal controls and, therefore, could result in a misstatement of the Cooperative's financial statements. The Cooperative also does not have controls over reconciliation and review process on accounts receivable, accounts payable and contracts payable at year-end.

Status: Ongoing. This finding has not been corrected and is restated as finding 2024-001 and 2024-002. 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.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Internal Control-Related Findings: Material Weaknesses

Finding 2024-001

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 2024-002

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.

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.

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2024**

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 2024-003

Criteria

An organization's internal control structure should provide payroll items being properly setup within the payroll system.

Statement of Condition

While conducting our audit, we identified payroll deductions that were setup incorrectly causing SDRS retirement contributions to be calculated incorrectly.

Cause and Effect

This condition may affect the Cooperative's ability to process and record payroll transactions appropriately.

Identification as a repeat finding: This is not a repeat finding.

Recommendation

We recommend the Cooperative review all of its payroll items for proper setup and that any errors found be corrected.

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.



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Central Special Education Cooperative

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Central Special Education Cooperative, as of June 30, 2024 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 and each major fund of the North Central Special Education Cooperative as of June 30, 2024, and the respective changes in financial position 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.

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

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:

1. exercise professional judgment and maintain professional skepticism throughout the audit.
2. 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.
3. 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.
4. 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.
5. 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, Schedule of Cooperative Contributions and Schedule of the Cooperative's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such 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 the financial reporting for placing the basic financial statements in 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2024 on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Cooperative's internal control over financial reporting and compliance.

Cathie Bowen

Mobridge, South Dakota
October 31, 2024

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
STATEMENT OF NET POSITION
JUNE 30, 2024**

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 176,655
Due from Government	370,674
Net Pension Asset	2,637
TOTAL ASSETS	<u>549,966</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows	224,077
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>224,077</u>
LIABILITIES	
Other Current Liabilities	88,922
TOTAL LIABILITIES	<u>88,922</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferred Inflows	132,652
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>132,652</u>
NET POSITION	
Restricted for SDRS Pension Purposes	94,062
Restricted for Special Education	453,364
Unrestricted	5,043
TOTAL NET POSITION	<u>\$ 552,469</u>

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Functions/Programs Primary Government:	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Total Governmental Activities
Governmental Activities					
Instruction	\$ 182,967	\$ 74,925	\$ 129,744	\$ 21,702	\$ 21,702
Support Services	865,572	330,075	540,281	4,784	4,784
Total Governmental Activities	1,048,539	405,000	670,025	26,486	26,486
Total Primary Government	\$ 1,048,539	\$ 405,000	\$ 670,025	26,486	26,486
General Revenues:					
Unrestricted Investment Earnings				1,517	1,517
Other General Revenues				4,820	4,820
Total General Revenues				6,337	6,337
Change in Net Position				32,823	32,823
Net Position - Beginning				509,735	509,735
Change in Accounting Policy (Note 9)				9,911	9,911
Net Position - Ending				\$ 552,469	\$ 552,469

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, 2024**

	General Fund	Special Education Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 6,081	\$ 170,574	\$ 176,655
Due from Government	-	370,674	370,674
Total Assets	<u>6,081</u>	<u>541,248</u>	<u>547,329</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Contracts Payable	914	77,831	78,745
Payroll Deductions and Withholdings Payable and Employer Matching Payable	<u>124</u>	<u>10,053</u>	<u>10,177</u>
Total Liabilities	<u>1,038</u>	<u>87,884</u>	<u>88,922</u>
Fund Balances:			
Restricted			
Special Education	-	453,364	453,364
Unassigned	<u>5,043</u>	<u>-</u>	<u>5,043</u>
Total Fund Balances	<u>5,043</u>	<u>453,364</u>	<u>458,407</u>
Total Liabilities and Fund Balances	<u>\$ 6,081</u>	<u>\$ 541,248</u>	<u>\$ 547,329</u>

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2024**

Total Fund Balances - Government Funds	\$ 458,407
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.	2,637
Pension related deferred outflows are components of pension (liability) asset and therefore are not reported in the funds.	224,077
Pension related deferred inflows are components of pension (liability) asset and therefore are not reported in the funds.	<u>(132,652)</u>
Total Net Position - Governmental Activities	<u><u>\$ 552,469</u></u>

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund	Special Education Fund	Total Governmental Funds
REVENUES			
Earnings on Investments and Deposits	\$ -	\$ 1,517	\$ 1,517
Other Revenue from Local Sources			
Service Provided Other LEAs	21,000	384,000	405,000
Other	-	4,820	4,820
Total Revenue from Local Sources	<u>21,000</u>	<u>390,337</u>	<u>411,337</u>
Revenue from State Sources			
Grants-in-Aid			
Unrestricted Grants-in-Aid	-	-	-
Restricted Grants-in-Aid	-	-	-
Total Revenue from State Sources	<u>-</u>	<u>-</u>	<u>-</u>
Revenue from Federal Sources			
Restricted Grants-in-Aid Received from Federal Government Through State	1,231	668,794	670,025
Total Revenue from Federal Sources	<u>1,231</u>	<u>668,794</u>	<u>670,025</u>
TOTAL REVENUES	<u>\$ 22,231</u>	<u>\$ 1,059,131</u>	<u>\$ 1,081,362</u>

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund	Special Education Fund	Total Governmental Funds
EXPENDITURES			
Instruction			
Special Programs			
Programs for special education	\$ 1,524	\$ 178,438	\$ 179,962
Total Instruction	1,524	178,438	179,962
Support Services			
Pupils:			
Psychological	7,389	161,712	169,101
Speech Pathology	-	463,864	463,864
Instructional Staff:			
Improvement of Instruction	3,430	60,614	64,044
General Administration			
Executive Administration	-	49,379	49,379
Business			
Fiscal Services	-	104,916	104,916
Total Support Services	10,819	840,485	851,304
TOTAL EXPENDITURES	12,343	1,018,923	1,031,266
Excess of Revenue Over (Under) Expenditures	9,888	40,208	50,096
Other Financing Sources			
Transfers In	-	10,000	10,000
Transfers Out	(10,000)	-	(10,000)
Total Other Financing Sources	(10,000)	10,000	-
Net Change in Fund Balances	(112)	50,208	50,096
Fund Balance - Beginning	5,036	393,364	398,400
Change in Accounting Policy (Note 9)	119	9,792	9,911
Fund Balance - Ending	<u>\$ 5,043</u>	<u>\$ 453,364</u>	<u>\$ 458,407</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, 2024**

Total net change in fund balances - government funds	\$ 50,096
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>(17,273)</u>
Total Change in Net Position - Governmental Activities	<u><u>\$ 32,823</u></u>

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2024**

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	6.2%
Edmunds Central	5.6%
Frederick Area	7.5%
Groton Area	25.3%
Hitchcock-Tulare	10.1%
Langford Area	9.8%
Leola	9.0%
Northwestern Area	13.0%
Warner	13.5%
	<hr/>
Total	<u>100.0%</u>

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, 2024 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, 2024, 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, 2024.

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.

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(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.

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(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, 2024, 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 permanent employees working twenty or more hours per week participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO 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.

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(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, 2024, 2023, and 2022 were \$37,186, \$41,813, and \$42,140, 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, 2023, SDRS is 100.1% 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, 2023 and reported by the Cooperative as of June 30, 2024 are as follows:

Proportionate share of total pension liability	\$ 3,915,095
Less proportionate share of net position restricted for pension benefits	3,917,732
Proportionate share of net pension liability (asset)	<u><u>\$ (2,637)</u></u>

At June 30, 2024, the Cooperative reported an asset of \$2,637 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023 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, 2023, the Cooperative's proportion was .0270180%, which is a decrease of .0023950% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Cooperative recognized pension expense of \$17,273. At June 30, 2024, 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	\$ 74,749	\$ -
Changes in assumption	90,158	131,791
Net difference between projected and actual earnings on pension plan investments	17,557	-
Changes in proportion and difference between Cooperative contributions and proportionate share of contributions	4,427	861
Cooperative contributions subsequent to the measurement date	37,186	-
Total	<u><u>\$ 224,077</u></u>	<u><u>\$ 132,652</u></u>

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

\$37,186 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, 2025. 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:	
2025	36,877
2026	(39,017)
2027	52,230
2028	4,149
TOTAL	<u>\$ 54,239</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2023 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	1.91%
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, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

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, 2023 (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%	3.80%
Investment Grade Debt	22.80%	1.70%
High Yield Debt	7.00%	2.70%
Real Estate	12.00%	3.50%
Cash	1.90%	0.80%
Total	100.00%	

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:

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(See Independent Auditors' Report)

	<u>1% Increase</u>	<u>Current Discount Rate</u>	<u>1% Decrease</u>
Cooperative's proportionate share of the net pension liability/(asset)	\$ 540,508	\$ (2,637)	\$ (446,826)

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 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2024, were as follows:

	<u>Transfers From</u>	<u>Transfers To</u>	<u>Total</u>
General Fund	\$ (10,000)	\$ -	\$ (10,000)
Special Education Fund	-	10,000	10,000
Total	\$ (10,000)	\$ 10,000	\$ -

SDCL 13-16-26 gives the Cooperative Board the authority to transfer all or part of any surplus of any Cooperative fund. The transfer above is not in violation of the statutory restrictions on interfund transfers. The transfer above was made to supplement operations.

NOTE 5 - LITIGATION

At June 30, 2024 the Cooperative was not involved in any litigation.

NOTE 6 - 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 7 - 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, 2024, the Cooperative managed its risks as follows:

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(See Independent Auditors' Report)

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.

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.

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

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, 2024 the Cooperative no claims had been filed for unemployment benefits and no claims are anticipated for unemployment in the next fiscal year.

NOTE 8 - RESTRICTED NET POSITION

Restricted Net Position for the year ended was as follows:

<u>Major Purposes</u>	<u>Restricted By</u>	<u>6/30/2024</u>
Special Education Purposes	Law	\$ 453,364
SDRS Pension Purposes	Law	\$ 94,062

NOTE 9 - ACCOUNTING CHANGES

The Cooperative has changed its policy to not accrue health insurance as part of benefits payable as of June 30, 2024. An adjustment to beginning net position/fund balance has been recorded to ensure only twelve months of insurance expense have been recorded.

Net Position at June 30, 2023, as previously stated	\$ 509,735
Effect of accounting change	<u>9,911</u>
Net Position at July 1, 2023, as restated	<u><u>519,646</u></u>
General Fund Balance at June 30, 2023, as previously stated	5,036
Effect of accounting change	<u>119</u>
General Fund Balance at July 1, 2023, as restated	<u><u>5,155</u></u>
Special Education Fund Balance at June 30, 2023, as previously stated	393,364
Effect of accounting change	<u>9,792</u>
Special Education Fund Balance at July 1, 2023, as restated	<u><u>\$ 403,156</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Revenue from Local Sources:				
Services Provided Other LEAs	\$ 24,500	\$ 24,500	\$ 21,000	\$ (3,500)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from the Federal Government Through the State	1,000	1,000	1,231	231
Total Revenue	\$ 25,500	\$ 25,500	\$ 22,231	\$ (3,269)
EXPENDITURES:				
Instruction:				
Special Programs:				
Programs for Special Education	\$ 4,928	\$ 4,928	\$ 1,524	\$ 3,404
Support Services:				
Pupils:				
Psychological	9,275	9,275	7,389	1,886
Support Services-Instructional Staff: Improvement of Instruction	4,450	4,450	3,430	1,020
Total Expenditures	\$ 18,653	\$ 18,653	\$ 12,343	\$ 6,310
Excess Revenue Over/Under Expenditures	6,847	6,847	9,888	3,041
Other Financing Sources				
Transfers Out	(10,000)	(10,000)	(10,000)	-
Total Other Financing Sources	(10,000)	(10,000)	(10,000)	-
Net Change in Fund Balances	(3,153)	(3,153)	(112)	3,041
Fund Balance - Beginning	5,036	5,036	5,036	-
Change in Accounting Policy (Note 9)	119	119	119	-
Fund Balance - Ending	\$ 2,002	\$ 2,002	\$ 5,043	\$ 3,041

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 SPECIAL EDUCATION FUND
 FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Earnings on Investments and Deposits	\$ 900	\$ 900	\$ 1,517	\$ 617
Other Revenue from Local Sources:				
Services Provided Other LEAs	383,994	383,994	384,000	6
Other	300	300	4,820	4,520
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid				
Received from the Federal Government Through the State	669,794	669,794	668,794	(1,000)
Total Revenue	\$ 1,054,988	\$ 1,054,988	\$ 1,059,131	\$ 4,143

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
EXPENDITURES:				
Instruction:				
Special Programs:				
Programs for special education	\$ 191,692	\$ 191,692	\$ 178,438	\$ 13,254
Support Services:				
Pupils:				
Psychological	198,039	198,039	161,712	36,327
Speech Pathology	491,591	591,591	463,864	127,727
Support Services-Instructional Staff:				
Improvement of Instruction	62,735	62,735	60,614	2,121
Support Services-General Administration:				
Executive Administration	49,775	49,775	49,379	396
Support Services-Business:				
Fiscal Services	126,941	126,941	104,916	22,025
Total Expenditures	\$ 1,120,773	\$ 1,220,773	\$ 1,018,923	\$ 201,850
Excess Revenue Over (Under)				
Expenditures	(65,785)	(165,785)	40,208	205,993
Other Financing Sources				
Transfers In	10,000	10,000	10,000	-
Total Other Financing Sources	10,000	10,000	10,000	-
Net Change in Fund Balances	(55,785)	(155,785)	50,208	205,993
Fund Balance - Beginning	393,364	393,364	393,364	-
Change in Accounting Policy (Note 9)	9,792	9,792	9,792	-
Fund Balance - Ending	\$ 347,371	\$ 247,371	\$ 453,364	\$ 205,993

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024.
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	6/30/2024	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%
SDRS	6/30/2015	0.0276%	(199,146)	483,376	-41.20%	107.29%

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

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (d)</u>	<u>Contributions as a Percentage of Covered Payroll (b/d)</u>
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%
SDRS	6/30/2015	34,613	34,613	-	576,888	6.00%

**NORTH CENTRAL SPECIAL EDUCATION COOPERATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS**

Changes from prior valuation

The June 30, 2023, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022, Actuarial Valuation.

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

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

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, 2022 the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023 the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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.