

OAHE SPECIAL EDUCATION COOPERATIVE
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

**OAHE SPECIAL EDUCATION COOPERATIVE
COOPERATIVE OFFICIALS**

JUNE 30, 2022

Member Schools

Bowdle
Eureka
Herreid
Hoven
Selby Area
Smee

Governing Board

Miranda Schlechter
Mark Opp, Vice President
Colleen Rueb
Robert Spindler
Tom Fiedler, President
Willard Two Bears

Alternates

Liz Osterday
Corey Eberhart
Holly Randall

Steve Zabel

Director

Marti Schuetzle

Business Manager

Lori Lutz

OAHE SPECIAL EDUCATION COOPERATIVE

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CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICES IN
MILLER, SOUTH DAKOTA

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

To the Cooperative Board
Oahe Special Education Cooperative
Java, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oahe Special Education Cooperative (Cooperative), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated January 10, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings that we consider to be material weaknesses. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2022-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Cooperative's response to the findings identified in our audit and described in the accompanying Schedule of 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 Cooperative'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.

January 10, 2023

OAHE SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2022

PRIOR AUDIT FINDINGS:

2021-001

A material weakness was reported for lack of segregation of duties for cash; revenues, receivables, and grants; expenditures and payables; budget; debt; and equity, which could result in errors not being found in a timely manner.

Status:

This finding has not been corrected and is restated as current audit finding 2022-001.

OAHE SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2022

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2022-001

Criteria

Internal control can help the Cooperative achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the Cooperative complies with laws and regulations.

Condition Found

A material weakness was reported for lack of segregation of duties for cash; revenues and receivables; expenditures and payroll; budget; debt; and equity, which could result in errors not being found in a timely manner.

Cause

Internal controls are not adequately designed to prevent or detect material misstatements due to either fraud or error.

Effect

The Cooperative has a limited number of employees who prepare all records for cash; revenues and receivables; expenditures and payroll; budget; debt; and equity.

Recommendation

We recommend the Governing Board take a more active role in their oversight of cash; revenues and receivables; expenditures and payroll; budget; debt; and equity.

Views of Responsible Officials

The Cooperative has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash; revenues and receivables; expenditures and payroll; budget; debt; and equity and accepts the risks involved. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. Some of the compensating controls that have been implemented include dual signature checks and board members reviewing vouchers. The Cooperative Board President, Tom Fiedler, is responsible for the corrective action plan for this finding.

Closing Conference

The contents of this report were discussed with Lori Lutz (Business Manager), Colleen Rueb (Board member) and Marti Schuetzle (Director) on December 8, 2022.

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

To the Cooperative Board
Oahe Special Education Cooperative
Java, South Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oahe Special Education Cooperative (Cooperative), as of and for the year ended June 30, 2022, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cooperative, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk is 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 generally accepted auditing standards and Government Auditing Standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and Pension Schedules on pages 28 through 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2023, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Cooperative's internal control over financial reporting and compliance.

January 10, 2023

OAHE SPECIAL EDUCATION COOPERATIVE
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>PRIMARY GOVERNMENT Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 593,553
Other assets	21,083
Net pension asset	233,747
Capital Assets:	
Other capital assets, net of depreciation/amortization	<u>7,717</u>
TOTAL ASSETS	<u>856,100</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferred outflows	<u>319,637</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>319,637</u>
LIABILITIES:	
Accounts payable	879
Other current liabilities	88,148
Noncurrent Liabilities:	
Due within one year	<u>7,717</u>
TOTAL LIABILITIES	<u>96,744</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension related deferred inflows	<u>451,581</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>451,581</u>
NET POSITION:	
Restricted for:	
SDRS pension purposes	101,803
Unrestricted	<u>525,609</u>
TOTAL NET POSITION	<u><u>\$ 627,412</u></u>

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

OAHE SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	\$ 303,246	\$ -	\$ 21,705	\$ (281,541)
Support services	523,158	876,334	-	353,176
*Interest on long-term debt	213	-	-	(213)
**Depreciation - unallocated	7,587	-	-	(7,587)
Total Governmental Activities	834,204	876,334	21,705	63,835
Total Primary Government	<u>\$ 834,204</u>	<u>\$ 876,334</u>	<u>\$ 21,705</u>	<u>63,835</u>
General Revenues:				
Unrestricted Investment Earnings				1,234
Other General Revenues				<u>1,561</u>
Total General Revenues				<u>2,795</u>
Change in Net Position				66,630
Net Position - Beginning				<u>560,782</u>
Net Position - Ending				<u>\$ 627,412</u>

* The Coop does not have interest expense related to the functions presented above. This amount includes interest expense on general long-term debt.

** This amount excludes the depreciation that is included in the direct expenses of the various functions. See Note 5.

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

OAHE SPECIAL EDUCATION COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund
ASSETS:	
Cash and cash equivalents	\$ 593,553
Due from other government	2,695
Deposits	11,488
Prepaid expenses	6,900
	<hr/>
TOTAL ASSETS	\$ 614,636
	<hr/>
LIABILITIES AND FUND BALANCES:	
LIABILITIES:	
Accounts payable	\$ 879
Contracts payable	76,853
Payroll deductions and withholdings and employer matching payable	11,295
	<hr/>
TOTAL LIABILITIES	89,027
	<hr/>
FUND BALANCES:	
Nonspendable:	
Prepays	6,900
Deposits	11,488
Assigned:	
Next year's budget	77,823
Unassigned	429,398
	<hr/>
TOTAL FUND BALANCES	525,609
	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 614,636
	<hr/>

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

OAHE SPECIAL EDUCATION COOPERATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds	\$ 525,609
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.	233,747
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	7,717
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	319,637
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(7,717)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(451,581)</u>
Net Position - Governmental Activities	<u><u>\$ 627,412</u></u>

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

OAHE SPECIAL EDUCATION COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund
REVENUES:	
Revenue from Local Sources:	
Earnings on investments and deposits	\$ 1,234
Other revenue from local sources:	
Services provided other school districts	876,334
Other	1,561
Revenue from Federal Sources:	
Grants-in-aid:	
Restricted grants-in-aid received from federal government through the state	21,705
TOTAL REVENUES	<u>900,834</u>
EXPENDITURES:	
Instruction:	
Special programs:	
Programs for special education	320,853
Support Services:	
Students:	
Psychological	141,697
Speech pathology	150,813
Student therapy services	103,904
Instructional staff:	
Improvement of instruction	1,376
General administration:	
Board of education	17,486
Executive administration	56,874
Business:	
Fiscal services	77,607
Operation and maintenance of plant	740
Debt Services	7,800
TOTAL EXPENDITURES	<u>879,150</u>
NET CHANGE IN FUND BALANCES	21,684
FUND BALANCE - BEGINNING	<u>503,925</u>
FUND BALANCE - ENDING	<u><u>\$ 525,609</u></u>

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

OAHE SPECIAL EDUCATION COOPERATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 21,684
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents the current year depreciation/amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	7,587
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	
Lease <u>\$ (7,587)</u>	(7,587)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense)	50,059
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(5,113)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 66,630</u></u>

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

OAHE SPECIAL EDUCATION COOPERATIVE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Private-Purpose Trust Funds
ASSETS:	
Cash and cash equivalents	\$ 552
TOTAL ASSETS	<u>\$ 552</u>
NET POSITION:	
Held in trust for scholarships	\$ 552
TOTAL NET POSITION	<u>\$ 552</u>

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

OAHE SPECIAL EDUCATION COOPERATIVE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2022

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Investment earnings:	
Interest and dividends	<u>\$ 1</u>
TOTAL ADDITIONS	<u>1</u>
DEDUCTIONS	<u>-</u>
CHANGE IN NET POSITION	1
NET POSITION - BEGINNING	<u>551</u>
NET POSITION - ENDING	<u><u>\$ 552</u></u>

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

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. **Financial Reporting Entity:**

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

b. **Basis of Presentation:**

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through service charges to members of the Cooperative, intergovernmental revenues, and other non-exchange revenues.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Cooperative's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues 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 governmental and fiduciary categories. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Cooperative or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least ten percent of the corresponding total for all governmental funds, or
2. Management has elected to classify one or more governmental funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

General Fund - A fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the Cooperative. The General Fund is always a major fund.

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Cooperative maintains one private-purpose trust fund, the Flemmer Memorial Trust, which is used for the purpose of providing awards to students.

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 are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

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).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Cooperative is 60 days. The revenues which are accrued at June 30, 2022, are the amounts due from member school districts.

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

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

All fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

d. Deposits:

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

e. Capital Assets:

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

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

Government-Wide Financial 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 estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

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

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP.

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position.

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Intangible Lease Assets	\$ 5,000	Straight-line	50 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

f. Leases:

Lessee:

The Cooperative is a lessee for a noncancellable lease of office building space. The Cooperative recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Cooperative recognizes lease liabilities with an initial, individual value of \$5,000 or more.

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

At the commencement of a lease, the Cooperative initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Cooperative determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Cooperative uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Cooperative generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Cooperative is reasonably certain to exercise.

The Cooperative monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

g. 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 two categories, as follows:

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

h. 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.

i. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed as follows:

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Fiduciary fund equity is reported as net position held in trust for scholarships.

j. 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.

k. Fund Balance Classification Policies and Procedures:

In accordance with Governmental 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 Governing 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 Nonspendable Fund Balance is comprised of the amounts reported as prepaid expenses and deposits.

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

l. 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.

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2022, the Cooperative implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases accounting standard. This statement changes the way that, previously known as, operating leases are reported. The effect of the implementation of this standard on beginning net position is disclosed in Note 11.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

Investments - In general, SDCL 4-5-6 permits educational 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 investments to 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.

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.

As of June 30, 2022, the Cooperative did not have any investments.

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

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

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

NOTE 4 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Cooperative expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been determined to be necessary.

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 - CHANGES IN CAPITAL ASSETS

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

	Balance 7/1/2021	Increase	Decrease	Balance 6/30/2022
Governmental activities:				
Capital assets, being depreciated/amortized:				
Other intangible asset	\$ -	\$ 15,304	\$ -	\$ 15,304
Total, being depreciated/amortized	-	15,304	-	15,304
Less accumulated depreciation/amortization for:				
Other intangible asset	-	7,587	-	7,587
Total accumulated depreciation/amortization	-	7,587	-	7,587
Total capital assets, being depreciated/amortized, net	-	7,717	-	7,717
Governmental activity capital assets, net	\$ -	\$ 7,717	\$ -	\$ 7,717

Depreciation/Amortization expense was charged to functions as follows:

Governmental activities:

Depreciation/Amortization - unallocated	\$ 7,587
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NOTE 6 - LEASES

The Cooperative has a lease for office space for a 2 year period beginning July 1, 2021, which is paid out of the General Fund. The Cooperative paid a total of \$7,800 for the building lease from the General Fund for the year ended June 30, 2022.

The following are the remaining minimum payments on this lease with the two year extension as of June 30, 2022:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 7,717	\$ 83	\$ 7,800
	\$ 7,717	\$ 83	\$ 7,800

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - 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), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation 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.

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, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Cooperative's share of contributions to the SDRS for fiscal years ended June 30, 2022, 2021, and 2020, were \$36,446, \$41,559, and \$36,954, respectively, equal to the required contributions each year.

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - (Continued)

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

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

Proportionate share of pension liability	\$ 4,232,293
Less proportionate share of net position restricted for pension benefits	<u>4,466,040</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (233,747)</u></u>

At June 30, 2022, the Cooperative reported a liability (asset) of \$(233,747) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Cooperative's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Cooperative's proportion was 0.03052200%, which is an increase of 0.0024590% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Cooperative recognized pension expense of \$44,946. At June 30, 2022, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 8,392	\$ 613
Changes in assumption	268,806	117,057
Net difference between projected and actual earnings on pension plan investments	-	333,911
Changes in proportion and difference between Cooperative contributions and proportionate share of contributions	5,993	-
Cooperative contributions subsequent to the measurement date	<u>36,446</u>	<u>-</u>
TOTAL	<u><u>\$ 319,637</u></u>	<u><u>\$ 451,581</u></u>

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - (Continued)

\$36,446 reported as deferred outflow of resources related to pensions resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending June 30:

2023	\$ (37,817)
2024	(28,478)
2025	(8,163)
2026	<u>(93,932)</u>
Total	<u><u>\$ (168,390)</u></u>

Actuarial Assumptions:

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - (Continued)

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

Discount Rate:

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

Sensitivity of Liability (Asset) to Changes in the Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Cooperative's proportionate share of the net pension liability (asset)	\$ 378,493	\$ (233,747)	\$ (730,742)

Pension Plan Fiduciary Net Position:

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

NOTE 8 - RISK MANAGEMENT

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

Employee Health Insurance:

The Cooperative joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The Cooperative pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from Wellmark Blue Cross/Blue Shield

The coverage includes the option of three different plans with a deductible of \$1,500 to \$4,000.

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

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 - (Continued)

Liability Insurance:

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

Workers' Compensation:

The Cooperative purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during 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.

During the year ended June 30, 2022, no claims for unemployment benefits were paid. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 9 - LITIGATION

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

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through January 10, 2023, the date on which the financial statements were available to be issued. Management has determined there are none.

NOTE 11 - IMPLEMENTATION OF NEW STANDARD

As of June 30, 2022, the Cooperative implemented GASB Statement No. 87, Leases accounting standard. At June 30, 2021, there were no outstanding lease liabilities.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

OAHE SPECIAL EDUCATION COOPERATIVE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Earnings on investments and deposits	\$ 5,000	\$ 5,000	\$ 1,234	\$ (3,766)
Other revenue from local sources:				
Services provided other school districts	872,571	872,571	876,334	3,763
Other	4,000	4,000	1,561	(2,439)
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	2,500	2,500	-	(2,500)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	21,576	21,576	21,705	129
TOTAL REVENUES	905,647	905,647	900,834	(4,813)
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	358,478	358,478	320,853	37,625
Support Services:				
Students:				
Psychological	150,968	150,968	141,697	9,271
Speech pathology	162,771	162,771	150,813	11,958
Student therapy services	120,199	120,199	103,904	16,295
Instructional staff:				
Improvement of instruction	2,900	2,900	1,376	1,524
General administration:				
Board of education	26,574	26,574	17,486	9,088
Executive administration	68,442	68,442	56,874	11,568
Business:				
Fiscal services	79,799	79,799	77,607	2,192
Operation and maintenance of plant	9,862	9,862	740	9,122
Nonprogrammed Charges:				
Insurance costs	2,000	2,000	-	2,000
Debt Services	-	-	7,800	(7,800)
TOTAL EXPENDITURES	981,993	981,993	879,150	102,843
NET CHANGE IN FUND BALANCES	(76,346)	(76,346)	21,684	98,030
FUND BALANCE - BEGINNING	503,925	503,925	503,925	-
FUND BALANCE - ENDING	\$ 427,579	\$ 427,579	\$ 525,609	\$ 98,030

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
JUNE 30, 2022

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

OAAHE SPECIAL EDUCATION COOPERATIVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COOPERATIVE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM
LAST 8 FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
Cooperative's proportion of the net pension liability (asset)	0.0305220%	0.0280630%	0.0281303%	0.03%	0.0364522%	0.0301240%	0.032501%	0.03%
Cooperative's proportionate share of net pension liability (asset)	\$ (233,747)	\$ (1,219)	\$ (2,981)	\$ (692)	\$ (3,308)	\$ 101,757	\$ (137,844)	\$ (244,942)
Cooperative's covered payroll	\$ 692,654	\$ 615,897	\$ 592,465	\$ 622,347	\$ 740,627	\$ 572,815	\$ 593,361	\$ 594,530
Cooperative's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	106%	100%	100%	100%	100%	97%	104%	107%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. Until a full 10-year trend is compiled, the Cooperative will present information for those years for which information is available.

**OAAHE SPECIAL EDUCATION COOPERATIVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COOPERATIVE PENSION CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 36,446	\$ 41,559	\$ 36,954	\$ 35,548	\$ 37,341	\$ 44,438	\$ 34,369	\$ 35,601	\$ 35,672	\$ 34,287
Contributions in relation to the contractually required contribution	36,446	41,559	36,954	35,548	37,341	44,438	34,369	35,601	35,672	34,287
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cooperative's covered payroll	\$ 607,426	\$ 692,654	\$ 615,897	\$ 592,465	\$ 622,347	\$ 740,627	\$ 572,815	\$ 593,361	\$ 594,530	\$ 571,450
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

OAHE SPECIAL EDUCATION COOPERATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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