CORNBELT EDUCATIONAL COOPERATIVE

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2026

Schoenfish & Co., Inc.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CORNBELT EDUCATIONAL COOPERATIVE
COOPERATIVE OFFICIALS
JUNE 30, 2026

MEMBER SCHOOL	BOARD MEMBER	ADVISORY BOARD
Bridgewater/Emery	Jerry Hofer	Jason Bailey
Canistota	Ann Jacobson	Zach Campbell
Ethan	Paula Vogel	Tim Hawkins
Freeman	Emily Anderson	Jake Tietje
Hanson	Chet McManus	Josh Oltmanns
Marion	Jared Schmidt	Brian Brosnahan
McCook Central	Kurt Stiefvater (Vice-President)	Matt Alley (Vice-President)
Montrose	Jason McAreavey (President)	Lonny Johnson (President)
Parker	Shawna Fosheim	Janelle Johnson

DIRECTOR:
Dean Kueter

BUSINESS MANAGER:
Pamela Selken

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Schoenfish & Co., Inc.

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

Board of Directors
Cornbelt Educational Cooperative
Sioux Falls, 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 and each major fund of the Cornbelt Educational Cooperative, Sioux Falls, South Dakota (Cooperative), as of June 30, 2026 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated September 14, 2026.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2026-001 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 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 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

Governmental Auditing Standards requires the auditor to perform limited procedures on the Cooperative's response to the findings identified in our audit. The Cooperative's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings. The Cooperative's response was not subjected to the 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.

Schoenfish & Co., Inc.
Certified Public Accountants
September 14, 2026

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2025-001:
A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding 2026-001.

Views of Responsible Officials and Planned Corrective Action Plan:
The Cornbelt Educational Cooperative Business Manager, Pamela Selken is the contact person responsible for the corrective action plan for this finding. This finding is due to the limited number of staff employed in the Cooperative's business office. Staffing the office at an efficient and financially feasible level precludes the hiring of enough personnel to provide an ideal environment for the internal controls. We are aware of the weakness in internal controls and will continue to develop policies and procedures and provide compensating controls to reduce the risk. We will also communicate this concern with our Board of Directors. The Cornbelt Educational Cooperative did adopt an Internal Controls and Procedures policy on March 13th, 2018 that does address many of these issues, and would ask for consideration reflecting this implementation. This finding will be an ongoing process, requiring continued analysis of processes and procedures in order to minimize the risk.

PRIOR OTHER AUDIT FINDINGS:

There are no prior other audit findings to report except for the lack of segregation of duties for revenues stated above.

SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2026-001:

Condition:
A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues.

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

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

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

Identification as a Repeat Finding:
This is a repeat audit finding since fiscal year 2018.

RECOMMENDATION:

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

Client's Response:
The Cornbelt Educational Cooperative Business Manager, Pamela Selken is the contact person responsible for the corrective action plan for this finding. This finding is due to the limited number of staff employed in the Cooperative's business office. Staffing the office at an efficient and financially feasible level precludes the hiring of enough personnel to provide an ideal environment for the internal controls. The Administration and Advisory Board is aware of the weakness in internal controls and will continue to develop policies and procedures and provide compensating controls to reduce the risk. We will also communicate this concern with our Board of Directors. The Cornbelt Educational Cooperative did adopt an Internal Controls and Procedures policy on March 13th, 2018 that does address many of these issues, and would ask for consideration reflecting this implementation. This finding will be an ongoing process, requiring continued analysis of processes and procedures in order to minimize the risk.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the Director and Business Manager on August 19, 2026.

Schoenfish & Co., Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cornbelt Educational Cooperative
Sioux Falls, South Dakota

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 Cornbelt Educational Cooperative, South Dakota (Cooperative), as of June 30, 2026, 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 Cornbelt Educational Cooperative as of June 30, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Cooperative's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Cooperative Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Schedule of Cooperative Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2026 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cooperative's internal control over financial reporting and compliance.

Schoenfish & Co., Inc.
Certified Public Accountants
September 14, 2026

CORNBELT EDUCATIONAL COOPERATIVE
STATEMENT OF NET POSITION
As of June 30, 2026

	Primary Government
	Governmental Activities
ASSETS:	
Cash and Cash Equivalents	418,033.15
Investments	320,920.63
Other Assets	155,671.33
Net Pension Asset	3,241.24
Capital Assets:	
Intangible Lease Assets, Net of Amortization	26,920.83
TOTAL ASSETS	924,787.18
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related Deferred Outflows	340,598.05
TOTAL DEFERRED OUTFLOWS OF RESOURCES	340,598.05
LIABILITIES :	
Accounts Payable	5,879.51
Other Current Liabilities	219,592.87
Lease Liabilities	
Due Within One Year	10,593.00
Due in More than One Year	15,891.00
TOTAL LIABILITIES	251,956.38
DEFERRED INFLOWS OF RESOURCES:	
Pension Related Deferred Inflows	173,299.27
TOTAL DEFERRED INFLOWS OF RESOURCES	173,299.27
NET POSITION:	
Net Investment in Capital Assets	436.83
Restricted for:	
Special Education Purposes	661,281.95
SDRS Pension Purposes	170,540.02
Unrestricted	7,870.78
TOTAL NET POSITION	840,129.58

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

CORNBELT EDUCATIONAL COOPERATIVE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	391,957.43				(391,957.43)
Support Services	1,271,430.17	824,999.00	858,741.00		412,309.83
Community Services	6,552.78				(6,552.78)
*Interest on Long-Term Liabilities	627.64				(627.64)
Total Governmental Activities	1,670,568.02	824,999.00	858,741.00	0.00	13,171.98
Total Primary Government	1,670,568.02	824,999.00	858,741.00	0.00	13,171.98

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

General Revenues:	
Unrestricted Investment Earnings	15,693.03
Other General Revenues	9,222.28
Total General Revenues	24,915.31
Change in Net Position	38,087.29
Net Position - Beginning	802,042.29
NET POSITION - ENDING	840,129.58

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

CORNBELT EDUCATIONAL COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2026

	General Fund	Special Education Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	7,870.78	410,162.37	418,033.15
Investments		320,920.63	320,920.63
Due from Other Government		154,726.00	154,726.00
Security Deposits		945.33	945.33
TOTAL ASSETS	7,870.78	886,754.33	894,625.11
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable		5,879.51	5,879.51
Contracts Payable		168,244.58	168,244.58
Payroll Deductions and Withholdings and Employer Matching Payable		51,348.29	51,348.29
Total Liabilities	0.00	225,472.38	225,472.38
Fund Balances:			
Restricted:			
Special Education		661,281.95	661,281.95
Unassigned	7,870.78		7,870.78
Total Fund Balances	7,870.78	661,281.95	669,152.73
TOTAL LIABILITIES AND FUND BALANCES	7,870.78	886,754.33	894,625.11

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

CORNBELT EDUCATIONAL COOPERATIVE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
As of June 30, 2026

Total Fund Balances - Governmental Funds	669,152.73
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.	3,241.24
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,920.83
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	340,598.05
Long-term liabilities, including leases payable, are not due and payable in the current period and therefore are not reported in the funds.	(26,484.00)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(173,299.27)
Net Position - Governmental Activities	840,129.58

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

CORNBELT EDUCATIONAL COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2026

	General Fund	Special Education Fund	Total Governmental Funds
Revenues:			
Revenue from Local Sources:			
Earnings on Investments and Deposits		15,693.03	15,693.03
Other Revenue from Local Sources:			
Services Provided Other School Districts		824,999.00	824,999.00
Judgements		285.59	285.59
Other		8,936.69	8,936.69
Revenue from Federal Sources:			
Grants-in-Aid:			
Restricted Grants-in-Aid Received from Federal Government Through the State		858,741.00	858,741.00
Total Revenue	0.00	1,708,655.31	1,708,655.31
Expenditures:			
Instruction:			
Special Programs:			
Programs for Special Education		406,726.78	406,726.78
Support Services:			
Students:			
Psychological		190,306.03	190,306.03
Speech Pathology		769,041.23	769,041.23
Instructional Staff:			
Educational Media		1,775.00	1,775.00
General Administration:			
Board of Education		29,374.82	29,374.82
Business:			
Fiscal Services		126,841.32	126,841.32
Operation and Maintenance of Plant		8,839.69	8,839.69
Special Education:			
Administrative Costs		191,328.58	191,328.58
Community Services:			
Nonpublic School		6,884.00	6,884.00
Debt Services		7,562.64	7,562.64
Capital Outlay		33,419.00	33,419.00
Total Expenditures	0.00	1,772,099.09	1,772,099.09

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

CORNBELT EDUCATIONAL COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2026

	General Fund	Special Education Fund	Total Governmental Funds
Excess of Revenue Over (Under) Expenditures	0.00	(63,443.78)	(63,443.78)
Other Financing Sources:			
Proceeds of General Long-Term Liabilities		33,419.00	33,419.00
Total Other Financing Sources (Uses)	0.00	33,419.00	33,419.00
Net Change in Fund Balances	0.00	(30,024.78)	(30,024.78)
Fund Balance - Beginning	7,870.78	691,306.73	699,177.51
FUND BALANCE - ENDING	7,870.78	661,281.95	669,152.73

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

CORNBELT EDUCATIONAL COOPERATIVE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2026

Net Change in Fund Balances - Total Governmental Funds	(30,024.78)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded amortization in the current period.	26,920.83
Payment of principal on long-term liabilities is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	6,935.00
The issuance of long-term liabilities is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	(33,419.00)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Pension Revenue)	1,871.07
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	65,804.17
Change in Net Position of Governmental Activities	38,087.29

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

The cooperative service unit was formed for the purpose of providing special education services to the member school districts.

Financing of the Cooperative is based on each member school initially contributing their respective individual shares of monies provided under Public Law 94-142 and their respective shares of grant monies provided by the State of South Dakota. Thereafter, the members will appropriate such monies as they deem necessary in the adoption of the annual budget.

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

Bridgewater/Emery School District	10.29%
Canistota School District	9.58%
Ethan School District	8.96%
Freeman School District	15.64%
Hanson School District	12.19%
Marion School District	6.50%
McCook Central School District	14.15%
Montrose School District	8.27%
Parker School District	14.42%
TOTAL	100.00%

The Cooperative's governing board is composed of two representatives from each member school district, who are the school superintendent and a school board member. The superintendent serves in an advisory capacity. The board is responsible for adopting the Cooperative's budget and setting service fees at a level adequate to fund the adopted budget.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 taxes, 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 is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. 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/expenses of the individual governmental 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 fund are at least 5 percent of the corresponding total for all governmental funds combined, or
3. Management has elected to classify one or more governmental funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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 does not exceed one bill-paying cycle, and for the Cooperative, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2026 are grants from the State of South Dakota.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, if any, are presented as Internal Balances, if any.

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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

Government-wide 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 acquisition 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, 2026 balance of capital assets for the governmental activities is all valued at original cost.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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/amortization is reported on the government-wide Statement of Net Position.

Capitalization threshold (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 are as follows:

	Capitalization Threshold	Depr./Amort Method	Estimated Useful Life
Machinery & Equipment	$ 10,000.00	Straight-line	7-10 yrs.
Intangible Lease Assets	$ 10,000.00	Straight-line	Based on lease life

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 or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of leases.

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.

h. Leases:

The Cooperative is a lessee for a noncancellable lease of an office building. 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 $10,000.00 or more.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Key estimates and judgements 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 if certain changes occur that are expected to significantly affect the amount of the lease liability.

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 intangible assets and lease liabilities are reported with long-term liabilities on the statement of net position.

i. Program Revenues:

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

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

j. 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.

k. Cash and Cash Equivalents:

The Cooperative pools its cash resources for depositing and investing purposes.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

l. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

m. 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 is available.

n. Fund Balance Classification Policies and Procedures:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

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

o. 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 SDSR'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.

2. IMPLEMENTATION OF GASB STATEMENT NO. 103

During the fiscal year ended June 30. 2026, the Cornbelt Educational Cooperative implemented GASB Statement No. 103, Financial Reporting Model Improvements. The implementation is reported as a change in accounting principle under GASB Statement No. 100, Accounting Changes and Error Corrections, and did not have a material effect on beginning net position, fund balance, or fund net position.

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 various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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

Investments – In general, SDCL 4-5-6 permits cooperative funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also,

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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, 2026, the Cooperative's investments reported in the financial statement consist of only certificates of deposit.

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Cooperative's deposits may not be returned to it. The Cooperative does not have a deposit policy for custodial credit risk.

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.

4. RECEIVABLES AND PAYABLES

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

5. CHANGES IN INTANGIBLE ASSETS

A summary of changes in capital assets for the year ended June 30, 2026 is as follows:

Primary Government:	Balance 07/01/25	Increases	Decreases	Balance 06/30/26
Governmental Activities:				
Intangible Assets, being amortized:				
Right to Use Leased Building		33,419.00		33,419.00
Total, being depreciated/amoritzed	0.00	33,419.00	0.00	33,419.00
Less Accumulated Amortization for:				
Right to Use Leased Building		(6,498.17)		(6,498.17)
Total Accumulated Amortization	0.00	(6,498.17)	0.00	(6,498.17)
Total Intangible Assets, being amortized, net	0.00	26,920.83	0.00	26,920.83
Governmental Activity Intangible Assets, Net	0.00	26,920.83	0.00	26,920.83

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Amortization expense was charged to functions as follows:

Governmental Activities:	
Support Services	6,498.17
Total Amortization Expense - Governmental Activities	6,498.17

6. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2026 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Right to Use Lease Payable - 817 N Elmwood Ave. Office Building		33,419.00	6,935.00	26,484.00	10,593.00
Total Governmental Activities	0.00	33,419.00	6,935.00	26,484.00	10,593.00
TOTAL PRIMARY GOVERNMENT	0.00	33,419.00	6,935.00	26,484.00	10,593.00

Liabilities payable at June 30, 2026 is comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Right to Use Lease Payable:

Right to Use Lease Payable – Office Building $26,484.00
The Cooperative entered into an agreement for an office building with Spring Brooke, LLC. The lease includes a clause for termination under the Following circumstances: a) at end of lease; b) upon Lessee's default; and c) in the event the leased space is partially or completely taken under right of eminent domain and lessor or lessee so elects. The lease is paid out of the Special Education Fund.

The following are the minimum payments required for existing operating leases:

Annual Requirements to Maturity for Long Term Liabilities
June 30, 2026

Year Ending June 30,	817 N. Elmwood Ave. Office Building Lease		Total	
	Principal	Interest	Principal	Interest
2027	10,593.00	829.00	10,593.00	829.00
2028	11,497.00	364.00	11,497.00	364.00
2029	4,394.00	29.00	4,394.00	29.00
Total	26,484.00	1,222.00	26,484.00	1,222.00

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. RESTRICTED NET POSITION

Restricted net position for the fiscal year ended June 30, 2026 was as follows:

Purpose	Restricted By	Amount
Major Funds:		
Special Education	Law	$ 661,281.95
SDRS Pension	Governmental Accounting Standards	170,540.02
Total Restricted Net Position		$ 831,821.97

8. PENSION PLAN

Plan Information:
All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivision. 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 four different 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 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.

Legislation enacted in 2021 reduced 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, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Cooperative's share of contributions to the SDRS for the fiscal years ended June 30, 2026, 2025, and 2024 were $69,902.59, $68,031.52, and $63,423.75, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:
At June 30, 2025, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Cooperative as of the measurement period ending June 30, 2025 and reported by the Cooperative as of June 30, 2026 are as follows:

Proportionate share of pension liability	$ 5,816,581.40
Less proportionate share of net pension restricted for pension benefits	$ 5,819,822.64
Proportionate share of net pension liability (asset)	$ (3,241.24)

At June 30, 2026, the Cooperative reported a liability (asset) of $(3,241.24) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2025 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

projection of the Cooperative's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the Cooperative's proportion was 0.03810900%, which is an increase (decrease) of 0.0004310% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2026, the Cooperative recognized pension expense (reduction of pension expense) of $(67,675.24). At June 30, 2026, 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.	$ 110,970.40	
Changes in assumption.		$ 172,047.75
Net Difference between projected and actual earnings on pension plan investments.	$ 157,922.25	
Changes in proportion and difference between School district contributions and proportionate share of contributions.	$ 1,802.81	$ 1,251.52
School District contributions subsequent to the measurement date.	$ 69,902.59	
TOTAL	$ 340,598.05	$ 173,299.27

$69,902.59 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, 2027. 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:	
2027	$ 75,565.22
2028	8,191.65
2029	5,009.63
2030	8,629.69
TOTAL	$ 97,396.19

Actuarial Assumptions:
The total pension liability (asset) in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	*2.50 percent*
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.56%

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

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 (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	56.3%	3.8%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.9%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100%	

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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:

	1% Decrease	Current Discount Rate	1% Increase
Cooperative's proportionate share of the net pension liability (asset)	$794,356.01	$(3,241.24)	$(656,663.97)

Pension Plan Fiduciary Net Position:
Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

9. 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, 2026, the Cooperative managed its risks as follows:

Employee Health Insurance:
The Cooperative joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government 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 coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:
The Cooperative joined the Associated School Boards of South Dakota Property Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Cooperative's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the Cooperative. The Cooperative pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The Cooperative pays an annual premium to the pool to provide coverage for:

Business Automobile Liability (including hired & non-owned)
Commercial General Liability Coverages
Employee Benefits Liability
Employers Liability
School Board Legal Liability

The agreement with the ASBSD-PLF provides that the above coverage's will be provided to a $6,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $100,000 to the upper limit. The Cooperative carries a $500 deductible for the property coverage.

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 during the past three years.

Worker'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 contribution 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 an additional $1,000,000 per individual per incident.

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

During the fiscal year ended June 30, 2026, no claims were paid for unemployment benefits. At June 30, 2026, no claims had been filed for unemployment benefits and none are expected in the next fiscal year.

10. SIGNIFICANT CONTINGENCIES – LITIGATION

At June 30, 2026, the Cooperative was not involved in any significant litigation.

11. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through September 14, 2026, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
CORNBELT EDUCATIONAL COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget	Actual Amounts	Variance with Final Budget -
	Original	Final	Positive (Negative)	(Budgetary Basis)	Positive (Negative)
Revenues:					
Total Revenue	0.00	0.00	0.00	0.00	0.00
Expenditures:					
Total Expenditures	0.00	0.00	0.00	0.00	0.00
Net Change in Fund Balances	0.00	0.00	0.00	0.00	0.00
Fund Balance - Beginning	7,870.78	7,870.78	0.00	7,870.78	0.00
FUND BALANCE - ENDING	7,870.78	7,870.78	0.00	7,870.78	0.00

REQUIRED SUPPLEMENTARY INFORMATION
CORNBELT EDUCATIONAL COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget	Actual Amounts	Variance with Final Budget -
	Original	Final	Positive (Negative)	(Budgetary Basis)	Positive (Negative)
Revenues:					
Revenue from Local Sources:					
Earnings on Investments and Deposits	15,800.00	15,800.00	0.00	15,693.03	(106.97)
Other Revenue from Local Sources:					
Services Provided Other School Districts	825,000.00	825,000.00	0.00	824,999.00	(1.00)
Judgements	0.00	0.00	0.00	285.59	285.59
Other	6,904.00	6,904.00	0.00	8,936.69	2,032.69
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted Grants-in-Aid Received from Federal Government Through the State	858,741.00	858,741.00	0.00	858,741.00	0.00
Total Revenue	1,706,445.00	1,706,445.00	0.00	1,708,655.31	2,210.31
Expenditures:					
Instruction:					
Special Programs:					
Programs for Special Education	427,981.43	427,981.43	0.00	406,726.78	21,254.65
Support Services:					
Students:					
Psychological	201,270.06	201,270.06	0.00	190,306.03	10,964.03
Speech Pathology	777,385.70	777,385.70	0.00	769,041.23	8,344.47
Instructional Staff:					
Educational Media	1,775.00	1,775.00	0.00	1,775.00	0.00
General Administration:					
Board of Education	30,951.82	30,951.82	0.00	29,374.82	1,577.00
Business:					
Fiscal Services	132,615.11	132,615.11	0.00	126,841.32	5,773.79
Operation and Maintenance of Plant	16,655.72	17,347.66	691.94	42,258.69	(24,911.03)
Special Education:					
Administrative Costs	195,918.63	195,918.63	0.00	191,328.58	4,590.05
Community Services:					
Nonpublic School	6,884.00	6,884.00	0.00	6,884.00	0.00
Debt Services	0.00	0.00	0.00	7,562.64	(7,562.64)
Contingencies	25,000.00	25,000.00	0.00		
Amount Transferred		(691.94)	(691.94)		24,308.06
Total Expenditures	1,816,437.47	1,816,437.47	(0.00)	1,772,099.09	44,338.38
Excess of Revenue Over (Under) Expenditures	(109,992.47)	(109,992.47)	0.00	(63,443.78)	46,548.69
Other Finances Sources (Uses):					
Proceeds of General Long-Term Liabilities	0.00	0.00	0.00	33,419.00	33,419.00
Total Other Financing Sources (Uses)	0.00	0.00	0.00	33,419.00	33,419.00
Net Change in Fund Balances	(109,992.47)	(109,992.47)	0.00	(30,024.78)	79,967.69
Fund Balance - Beginning	691,306.73	691,306.73	0.00	691,306.73	0.00
FUND BALANCE - ENDING	581,314.26	581,314.26	0.00	661,281.95	79,967.69

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2026

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 first regular board meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.

2. The proposed budget is considered by the board at the first regular meeting held in the month of May of each year.

3. The proposed budget is published for public review no later than July 15 each year.

4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.

5. Before October 1 of each year, the board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.

6. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated by number 8.

7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total Cooperative budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. 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 board.

10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2026

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.
(Continued)

Note 3. SIGNIFICANT BUDGETARY VARIANCES:

Explanations of significant variations between final budget and actual amounts are as follows:

1. Special Education Fund – Actual expenditures for Programs for Special Education were less than the final budget by $21,254.65 primarily due to less students being served in the member school districts.

2. Special Education Fund – Actual expenditures for Operation and Maintenance of Plant exceeded the final budget by $24,911.03 due to the recognition of a right-to-use lease asset and lease liability upon commencement of a lease, entered into during the fiscal year. This lease was not included in the legally adopted budget because it was executed after budget adoption and no supplemental appropriation was made.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COOPERATIVE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last 10 Fiscal Years*

	Cooperative's proportion of the net pension liability/asset	Cooperative's proportionate share of net pension liability (asset)	Cooperative's covered-employee payroll	Cooperative's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2026	0.0381090%	$ (3,241.24)	$ 1,133,854.59	0.29%	100.10%
2025	0.0376780%	$ (1,525.20)	$ 1,057,064.96	0.14%	100.00%
2024	0.0370490%	$ (3,616.15)	$ 955,620.40	0.38%	100.10%
2023	0.0394910%	$ (3,732.15)	$ 942,977.23	0.40%	100.10%
2022	0.0377840%	$ (289,360.77)	$ 857,451.29	33.75%	105.52%
2021	0.0384980%	$ (1,671.96)	$ 844,915.76	0.20%	100.04%
2020	0.0396740%	$ (4,204.39)	$ 843,564.49	0.50%	100.09%
2019	0.0418560%	$ (976.18)	$ 870,141.87	0.11%	100.02%
2018	0.0483580%	$ (4,388.53)	$ 982,520.35	0.45%	100.10%
2017	0.0480800%	$ 162,408.50	$ 914,231.84	-17.76%	96.89%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of the previous fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COOPERATIVE PENSION CONTRIBUTONS

South Dakota Retirement System

Last 10 Fiscal Years

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Cooperative's covered payroll	Contributions as a percentage of covered payroll
2026	$ 69,902.59	$ 69,902.59	$ -	$ 1,165,039.86	6.00%
2025	$ 68,031.52	$ 68,031.52	$ -	$ 1,133,854.59	6.00%
2024	$ 63,423.75	$ 63,423.75	$ -	$ 1,057,064.96	6.00%
2023	$ 57,337.10	$ 57,337.10	$ -	$ 955,620.40	6.00%
2022	$ 56,578.95	$ 56,578.95	$ -	$ 942,977.23	6.00%
2021	$ 51,447.48	$ 51,447.48	$ -	$ 857,451.29	6.00%
2020	$ 50,694.75	$ 50,694.75	$ -	$ 844,915.76	6.00%
2019	$ 50,613.42	$ 50,613.42	$ -	$ 843,564.49	6.00%
2018	$ 52,208.80	$ 52,208.80	$ -	$ 870,141.87	6.00%
2017	$ 58,951.58	$ 58,951.58	$ -	$ 982,520.35	6.00%

Notes to Required Supplementary Information
for the Year Ended June 30, 2026
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

The June 30, 2025 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024 Actuarial Valuation.

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

Benefit Provision Changes

During the 2025 Legislative Session no significant SDRS benefit changes were made.

Actuarial Method Changes

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2024, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.71%.

As of June 30, 2025, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, between 0% and 1.56%. For this June 30, 2025 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

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.