

James Valley Educational Cooperative

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
June 30, 2023**

James Valley Educational Cooperative

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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***

To the Board of Directors
James Valley Educational Cooperative
Mitchell, South Dakota

We have audited, in accordance with the 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 James Valley Educational Cooperative, as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise James Valley Educational Cooperative’s basic financial statements and have issued our report thereon dated February 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered James Valley Educational 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 James Valley Educational Cooperative’s internal control. Accordingly, we do not express an opinion on the effectiveness of James Valley Educational 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 entity’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether James Valley Educational Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

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 James Valley Educational 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 James Valley Educational Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Mitchell, South Dakota
February 15, 2024



Independent Auditor's Report

To the Board of Directors
James Valley Educational Cooperative
Mitchell, 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 James Valley Educational Cooperative, as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the James Valley Educational 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 James Valley Educational Cooperative as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about James Valley Educational 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 generally accepted auditing standards 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 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 James Valley Educational 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 James Valley Educational 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 Pension Contributions, and the Schedule of the Cooperative's Proportionate Share of the Net Pension Liability (Asset) 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2024 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 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.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Mitchell, South Dakota
February 15, 2024

James Valley Educational Cooperative

Statement of Net Position

June 30, 2023

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 51,803
Net pension asset	<u>1,348</u>
Total Assets	<u>53,151</u>
Deferred Outflows of Resources:	
Pension related deferred outflows	<u>134,082</u>
Current Liabilities:	
Accounts payable	1,986
Other current liabilities	<u>38,378</u>
Total Current Liabilities	<u>40,364</u>
Deferred Inflows of Resources:	
Pension related deferred inflows	<u>79,191</u>
Net Position:	
Unrestricted	11,439
Restricted for SDRS pension purposes	<u>56,239</u>
Total Net Position	<u><u>\$ 67,678</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

James Valley Educational Cooperative

Statement of Activities

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Primary Government:			
Governmental Activities:			
Support services - special education	\$ 559,326	\$ 558,636	\$ (690)
			(690)
			19,901
			48,467
			68,368
			\$ 67,678

The accompanying Notes to Financial Statements are an integral part of this statement.

James Valley Educational Cooperative

Balance Sheet – Governmental Fund

June 30, 2023

	<u>General Fund</u>
Current Assets:	
Cash and cash equivalents	\$ 51,803
Current Liabilities:	
Accounts payable	\$ 1,986
Payroll liabilities	38,378
Total Current Liabilities	<u>40,364</u>
Fund Balances:	
Unassigned	<u>11,439</u>
Total Liabilities and Fund Balances	<u>\$ 51,803</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

James Valley Educational Cooperative
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2023

Fund Balances - Total Governmental Funds	\$ 11,439
Net pension asset reported in the governmental activities is not an available financial resource and therefore is not reported in the funds.	1,348
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	134,082
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(79,191)</u>
Net Position of Governmental Activities	<u>\$ 67,678</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

James Valley Educational Cooperative
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund
For the Year Ended June 30, 2023

	<u>General Fund</u>
Revenues:	
Other Revenue from Local Sources:	
Services provided other school districts	<u>\$ 558,636</u>
Expenditures:	
Support services - special education	<u>567,098</u>
Excess of Revenue Over Expenditures	(8,462)
Fund Balance, Beginning of Year	<u>19,901</u>
Fund Balance, End of Year	<u><u>\$ 11,439</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

James Valley Educational Cooperative
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ (8,462)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>7,772</u>
Change in Net Position of Governmental Activities	<u><u>\$ (690)</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of James Valley Educational 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.

James Valley Educational Cooperative (the Cooperative) was established as a joint venture among member school districts for the purpose of providing special education services. The Board of Directors of the Cooperative is responsible for adopting the Cooperative's budget and setting service fees at a level adequate to fund the adopted budget. The member districts retain no equity interest in the net position of the Cooperative but do have a responsibility to fund deficits of the Cooperative in proportion to their relative participation. There are no component units included within the reporting entity.

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. Governmental activities are generally 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 format (assets minus liabilities equal net position). Net position is displayed in three components, as applicable; net investment in capital assets, restricted (distinguished between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expense 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 charges paid by recipients of goods and services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

The fund of the Cooperative financial reporting entity is described below within their respective fund type:

Governmental Fund:

General Fund – A fund established to meet all the general operational costs of the Cooperative. The General Fund is always a major fund.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

The governmental fund is accounted for using the modified accrual basis of accounting. Their revenues are generally 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.

Expenditures generally are recognized when the related fund liability is incurred.

d. Deposits and Investments:

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

e. Program Revenues:

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

- 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.

f. 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 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 do not meet the definition of "restricted" or "net investment in capital assets."

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. 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.

h. 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 Board of Directors.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. 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.

k. Implementation of New Accounting Standard:

In FY23, the Cooperative implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The effect of the implementation of this standard on beginning net position is \$48,467.

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk:

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

Deposits – The Cooperative's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to or 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.

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk: (Continued)

Investments – In general, SDCL 4-5-6 permits school district 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.

3. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid 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 four classes of members, Class A general members, Class B public safety and judicial members, 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.

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

3. Pension Plan: (Continued)

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% 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, 2023, 2022, and 2021 were \$21,771, \$20,442, and \$20,205, respectively, equal to the required contributions each year.

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

3. Pension Plan: (Continued)

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2022, 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 this measurement period ending June 30, 2022 and reported by the Cooperative as of June 30, 2023 are as follows:

Proportionate share of pension liability	\$	2,014,159
Less proportionate share of net pension restricted for pension		<u>2,015,507</u>
Proportionate share of net pension (asset)	\$	<u><u>(1,348)</u></u>

At June 30, 2023, the Cooperative reported an asset of (\$1,348) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension liability used to calculate the net pension asset was based on a projection of the Cooperative's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Cooperative's proportion was 0.142680%, which is a decrease of (.0005111%) from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Cooperative recognized reduction of expense of (\$7,772). At June 30, 2023 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	\$ 25,668	\$ 88
Changes in assumption	85,702	75,105
Net difference between projected and actual earnings on pension	--	3,231
Changes in proportion and difference between District contributions	941	767
District contributions subsequent to the measurement date	<u>21,771</u>	<u>--</u>
	<u><u>\$ 134,082</u></u>	<u><u>\$ 79,191</u></u>

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

3. Pension Plan: (Continued)

\$21,771 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, 2024. 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:	
2024	\$ 8,624
2025	18,785
2026	(21,103)
2027	26,814
Total	<u>\$ 33,120</u>

Actuarial Assumptions:

The total pension (asset) in the June 30, 2022 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 7.66% at entry to 3.15% after 25 years of service

Discount Rate: 6.50% net of plan investment expense. This is composed of an average inflation rate of 2.5% and real returns of 4%

Future COLAs: 2.10%

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

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

3. Pension Plan: (Continued)

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, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016-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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
	<u>100.0%</u>	<u>2.7%</u>

Discount Rate:

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

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

3. Pension Plan: (Continued)

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

The following presents the Cooperative's proportionate share of net pension asset 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>
School District's proportionate share of the net pension liability (asset)	\$ 279,986	\$ (1,348)	\$ (231,273)

Pension Plan Fiduciary Net Position:

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

4. 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 year ended June 30, 2023, 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.

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

4. Risk Management: (Continued)

Liability Insurance:

The Cooperative joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. 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 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:

- Educator's Legal Liability – \$1,000,000
- Employment Practices Liability and Third Party Liability - \$1,000,000

The agreement with the ASBSD-PLF provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for the reinsurance for claims in excess of \$100,000 to the upper limit. The Cooperative carries a \$5,000 deductible for the 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.

Workers' 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 workers' 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 workers' compensation claims. The Cooperative pays an annual premium to provide workers' 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 judgements. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

James Valley Educational Cooperative

Notes to Financial Statements

June 30, 2023

4. Risk Management: (Continued)

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 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, 2023, no claims were filed for unemployment benefits. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

5. Violations of Finance Related Legal and Contractual Provisions:

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

General Fund: \$2,860

Required Supplementary Information

James Valley Educational Cooperative

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

James Valley Educational Cooperative Schedule of the Proportionate Share Of the Net Pension Liability (Asset) South Dakota Retirement System

Measurement Date	Cooperative's Proportion of the Net Pension Liability (Asset)	Cooperative's Proportionate Share of the Net Pension Liability (Asset)	Cooperative's Covered 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)
6/30/2023	0.0142680%	\$ (1,348)	\$ 340,705	-0.40%	100.10%
6/30/2022	0.0148390%	\$ (113,641)	\$ 336,751	-33.75%	105.52%
6/30/2021	0.0147791%	\$ (642)	\$ 324,360	-0.20%	100.04%
6/30/2020	0.0135516%	\$ (1,436)	\$ 288,134	-0.50%	100.09%
6/30/2019	0.0137164%	\$ (320)	\$ 285,157	-0.11%	100.02%
6/30/2018	0.0141845%	\$ (1,287)	\$ 288,193	-0.45%	100.10%
6/30/2017	0.0169084%	\$ 57,115	\$ 321,513	17.76%	96.89%
6/30/2016	0.0170746%	\$ (72,418)	\$ 311,731	-23.23%	104.10%
6/30/2015	0.0151010%	\$ (108,797)	\$ 264,083	-41.20%	107.30%

*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.

Schedule of Cooperative Pension Contributions South Dakota Retirement System Contributions in relation to the

Fiscal Year Ending	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Cooperative's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2023	\$ 21,771	\$ 21,771	\$ --	\$ 362,849	6.00%
6/30/2022	\$ 20,442	\$ 20,442	\$ --	\$ 340,705	6.00%
6/30/2021	\$ 20,205	\$ 20,205	\$ --	\$ 336,751	6.00%
6/30/2020	\$ 19,461	\$ 19,461	\$ --	\$ 324,360	6.00%
6/30/2019	\$ 17,288	\$ 17,288	\$ --	\$ 288,134	6.00%
6/30/2018	\$ 17,109	\$ 17,109	\$ --	\$ 285,157	6.00%
6/30/2017	\$ 17,292	\$ 17,292	\$ --	\$ 288,193	6.00%
6/30/2016	\$ 19,291	\$ 19,291	\$ --	\$ 321,513	6.00%
6/30/2015	\$ 18,704	\$ 18,704	\$ --	\$ 311,731	6.00%

*Until a full 10-year trend is compiled, the Cooperative will present information for those years for which information is available.

James Valley Educational Cooperative

Notes to Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of the Cooperative Pension Contributions

Changes from Prior Valuation

The June 30, 2022, Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021, Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

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

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

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%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

James Valley Educational Cooperative

Notes to Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of the Cooperative Pension Contributions (Continued)

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

James Valley Educational Cooperative
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other Revenues from Local Sources:				
Services provided other school districts	\$ 564,238	\$ 564,238	\$ 558,636	\$ (5,602)
	<u>564,238</u>	<u>564,238</u>	<u>558,636</u>	<u>(5,602)</u>
Expenditures:				
Support services - special education	564,238	564,238	567,098	(2,860)
Total Expenditures	<u>564,238</u>	<u>564,238</u>	<u>567,098</u>	<u>(2,860)</u>
Excess of Revenues Over Expenditures	--	--	(8,462)	(8,462)
Fund Balance, Beginning of Year	<u>19,901</u>	<u>19,901</u>	<u>19,901</u>	--
Fund Balance, End of Year	<u><u>\$ 19,901</u></u>	<u><u>\$ 19,901</u></u>	<u><u>\$ 11,439</u></u>	<u><u>\$ (8,462)</u></u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

James Valley Educational Cooperative
Notes to Required Supplementary Information – Budgetary Comparison Schedule
For the Year Ended June 30, 2023

1. Budgets and Budgetary Accounting:

James Valley Educational Cooperative followed these procedures in establishing the budgetary data reflected in the schedule:

- a) Prior to the first regular board meeting in May of each year the Cooperative board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b) The proposed budget is considered by the Cooperative Board at the first regular meeting held in the month of May of each year.
- c) The proposed budget is published for public review no later than July 15 each year.
- d) Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e) Before October 1 of each year, the Cooperative Board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f) After adoption by the Cooperative board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in item h.
- g) 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 Cooperative 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.
- h) If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when monies are available to increase legal spending authority.
- i) Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
- j) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- k) The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).