

Northeast Educational Services Cooperative No. 28-201

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

**For the Year Ended
June 30, 2022**

Northeast Educational Services Cooperative No. 28-201

School Officials

June 30, 2022

Board Members:

Jolene King----- Member
Gary Brassfield----- Member
Alisha Nielsen----- Member
Mallory McIntire----- Member
Barb Asleson----- Member
Laura Crooks----- Member
Michelle Prins----- Member
Arend Schuurman----- Member
Lisa Lauterhahn----- Member
Chris Verhoek----- Member
Jon Kahnke----- Member
Jon Homola----- Member
Paula Blue----- Member
Greg Bich----- Member
Jerod Olson----- Member
Brian Hanson----- Member
Lara Sand----- Member
Ryan Olson----- Member
David Squires----- Member
Lisa Amdahl----- Member
Art Berger----- Member
Penny Thyen----- Member
Martin Looyenga----- Member
Tia Felberg----- Member
Mary Campbell----- Member

Andrea Powell----- Director

Tiffany Stormo----- Office Manager

Northeast Educational Services Cooperative No. 28-201

Table of Contents

| | Page |
|--|-------|
| 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 <i>Government Auditing Standards</i> ----- | 1-2 |
| Independent Auditor’s Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance ----- | 3-5 |
| Schedule of Prior Audit Findings ----- | 6 |
| Schedule of Findings and Questioned Costs ----- | 7-8 |
| Corrective Action Plan (Unaudited) ----- | 9 |
| Independent Auditor’s Report ----- | 10-12 |
| Government-Wide Financial Statements | |
| Statement of Net Position----- | 13 |
| Statement of Activities----- | 14 |
| Fund Financial Statements | |
| Governmental Funds: | |
| Balance Sheet----- | 15 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position----- | 16 |
| Statement of Revenues, Expenditures and Changes in Fund Balances----- | 17 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities----- | 18 |
| Fiduciary Funds: | |
| Statement of Net Position----- | 19 |
| Statement of Changes in Net Position----- | 20 |
| Notes to the Financial Statements ----- | 21-37 |
| Required Supplementary Information ----- | 38 |
| Budgetary Comparison Schedule – General Fund – Budgetary Basis----- | 39 |
| Budgetary Comparison Schedule – Special Education Fund – Budgetary Basis----- | 40 |
| Notes to the Required Supplementary Information----- | 41 |
| Schedule of the Proportionate Share of the Net Pension Liability (Asset)----- | 42 |
| Schedule of the Cooperative Contributions to Pension----- | 43 |
| Notes to the Required Supplementary Information – Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions----- | 44 |
| Supplementary Information ----- | 45 |
| Schedule of Expenditures of Federal Awards----- | 46-47 |



**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
Northeast Educational Services Cooperative No. 28-201
Hayti, 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, each major fund, and the aggregate remaining fund information of the Northeast Educational Services Cooperative (Cooperative), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization’s basic financial statements and have issued our report thereon dated February 28, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a 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 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, We did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompany Schedule of Current Audit Findings and Questioned Costs as item 2022-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Cooperative's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Cooperative's response to the findings identified in our audit. The Cooperative's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Cooperative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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.



Elk Point, South Dakota
February 28, 2023



Independent Auditor’s Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Northeast Educational Services Cooperative No. 28-201
Hayti, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northeast Educational Services Cooperative, Hayti, South Dakota (Cooperative) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of The Cooperative’s major federal programs for the year ended June 30, 2022. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Northeast Educational Services Cooperative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cooperative and to meet our ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Cooperative’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grants agreements applicable to the Cooperative's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cooperative's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk is not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cooperative's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Cooperative's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Cooperative's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

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

Elk Point, South Dakota
February 28, 2023

Northeast Educational Services Cooperative No. 28-201

Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Findings – Financial Statement Audit

Significant Deficiency

Finding 2021-001 - Lack of Segregation of Duties

Analysis: Lack of segregation of duties could adversely affect the School's ability to record, process, summarize, and report financial data consistent with management assertions.

Recommendation: We recommend Northeast Educational Services Cooperative No. 28-201's officials be cognizant of this lack of segregation of duties for revenues, expenditures, and payroll and attempt to provide compensating internal controls whenever possible and practical.

Current Status: This finding is repeated

Northeast Educational Services Cooperative No. 28-201

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: _____ yes x no

Significant deficiencies identified not considered to be material weaknesses: x yes _____ no

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards:

Internal control over major program:

Material weakness identified: _____ yes x no

Significant deficiencies identified not considered to be material weaknesses: _____ yes x none reported

Type of auditor's report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: _____ yes x no

Identification of major program:

| CFDA Number | Name of Federal Program |
|-------------|--------------------------------------|
| 84.027 | Special Education - Grants to States |
| 84.173 | Special Education - Preschool Grants |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes _____ no

Northeast Educational Services Cooperative No. 28-201
Schedule of Current Audit Findings
For the Year Ended June 30, 2022

Section II - Financial Statement Findings

Findings – Financial Statement Audit

Significant Deficiency

Finding 2022-001 - Lack of Segregation of Duties

Criteria: Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management.

Condition: There is a lack of segregation of duties within the Business Office related to the preparations of reconciliations and over several areas including revenues and expenses.

Cause: This condition exists due to small staff size within the finance function of the School These issues are common in a school of this size.

Effect: There is an increased likelihood that fraud or errors occurring and not being detected or corrected in a timely manner by employees or others in the ordinary course of performing their duties.

Auditor's Recommendation: Management may train Business Office personnel to perform additional responsibilities such that the Business Manager can provide oversight, or management could involve board members in the year-end close process.

Views of Responsible Officials: Management agrees with the finding. See Corrective Action Plan.

Repeat Finding from Prior Year(s): Yes

Section III - Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to the federal award programs which are required to be reported in accordance with 2 CRF 200.156(a).

Northeast Educational Services Cooperative No. 28-201

*Office of the Business Manager
Phone: 605-783-3607*

*P.O. Box 327
Hayti, SD 57745*

Corrective Action Plan (Unaudited)

Northeast Educational Services Cooperative No. 28-201, respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

ELO Prof. LLC
110 W Main
Elk Point, SD 57025

Northeast Educational Services Cooperative has considered the lack of segregation of duties. At this time, it is not cost effective for Northeast Educational Services Cooperative to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Northeast Educational Services Cooperative to decrease the likelihood that financial data is adversely affected.

The Northeast Educational Services Cooperative's Board will continue to monitor the necessity to have segregation of duties and implement such segregation as budget dollars and board authority allow.



Independent Auditor's Report

Board of Directors
Northeast Educational Services Cooperative No. 28-201
Hayti, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northeast Educational Services Cooperative No. 28-201, South Dakota (Cooperative) as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Northeast Educational Services Cooperative No. 28-201 as of June 30, 2022, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standard 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 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 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 Pension Schedules and the Budgetary Comparison Schedules listed in the table of contents 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 supplemental 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 28, 2023, on our consideration of the Northeast Educational Services Cooperative No. 28-201's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northeast Educational Services Cooperative No. 28-201's internal control over financial reporting and compliance.

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

Elk Point, South Dakota
February 28, 2023

Northeast Educational Services Cooperative No. 28-201

Statement of Net Position – Government-Wide

June 30, 2022

| | Primary Government |
|---|------------------------------------|
| | Governmental Activities |
| Assets: | |
| Cash and cash equivalents | \$ 1,278,381 |
| Certificate of deposit | 82,454 |
| Accounts receivable | 45,523 |
| Inventories | 26,421 |
| Deposits | 32,777 |
| Due from other governments | 593,208 |
| Pension asset | 890,368 |
| Capital assets: | |
| Land | 1,451 |
| Other capital assets, net of depreciation | 357,628 |
| Total Assets | <u>3,308,211</u> |
| Deferred Outflows of Resources: | |
| Pension-related deferred outflows | <u>1,235,902</u> |
| Liabilities: | |
| Accounts payable | 89,127 |
| Accrued wages and benefits payable | 286,713 |
| Unearned revenue | 129,770 |
| Total Liabilities | <u>505,610</u> |
| Deferred Inflows of Resources: | |
| Pension related deferred inflows | <u>1,720,147</u> |
| Total Deferred Inflows of Resources | <u>1,720,147</u> |
| Net Position: | |
| Net investment in capital assets | 359,079 |
| Restricted for: | |
| Special education | 1,318,638 |
| SDRS pension purposes | 406,123 |
| Health insurance purposes | 32,777 |
| Unrestricted | 201,739 |
| Total Net Position | <u>\$ 2,318,356</u> |

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

Northeast Educational Services Cooperative No. 28-201

Statement of Activities – Government-Wide

June 30, 2022

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expenses) Revenues and Changes in Net Position</u> |
|-------------------------------|---------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Primary Government Governmental Activities</u> |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Instruction | \$ 890,510 | \$ 718,383 | \$ -- | \$ (172,127) |
| Support services | 3,553,650 | -- | 2,553,800 | (999,850) |
| Total Governmental Activities | <u>\$ 4,444,160</u> | <u>\$ 718,383</u> | <u>\$ 2,553,800</u> | <u>(1,171,977)</u> |
| | | General Revenues: | | |
| | | Revenue from State Sources: | | |
| | | | State aid | 135,111 |
| | | | Other | 54,166 |
| | | | Unrestricted investment earnings | 3,553 |
| | | | Other general revenues | 1,575,243 |
| | | | Total General Revenues | <u>1,768,073</u> |
| | | | Change in Net Position | 596,096 |
| | | | Net Position - Beginning of Year | <u>1,722,260</u> |
| | | | Net Position - End of Year | <u>\$ 2,318,356</u> |

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

Northeast Educational Services Cooperative No. 28-201

Balance Sheet – Governmental Funds

June 30, 2022

| | <u>General</u> | <u>Special Education</u> | <u>Total Governmental Funds</u> |
|---|-------------------|------------------------------|---|
| Assets: | | | |
| Cash and cash equivalents | \$ 168,779 | \$ 1,109,602 | \$ 1,278,381 |
| Certificates of Deposits | -- | 82,454 | 82,454 |
| Accounts receivable | 45,523 | -- | 45,523 |
| Due from other governments | 79,357 | 513,851 | 593,208 |
| Inventory - materials and supplies | 104 | 26,317 | 26,421 |
| Deposits - NPIP Reserve | 32,777 | -- | 32,777 |
| Total Assets | <u>\$ 326,540</u> | <u>\$ 1,732,224</u> | <u>\$ 2,058,764</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 10,536 | \$ 78,591 | \$ 89,127 |
| Contracts payable | -- | 250,700 | 250,700 |
| Payroll deductions and withholding and employer matching payable | -- | 36,013 | 36,013 |
| Unearned Revenue | 81,488 | 48,282 | 129,770 |
| Total Liabilities | <u>92,024</u> | <u>413,586</u> | <u>505,610</u> |
| Fund Balances: | | | |
| Nonspendable: | 32,881 | 26,317 | 59,198 |
| Restricted for special education: | -- | 1,292,321 | 1,292,321 |
| Assigned for unemployment: | 831 | -- | 831 |
| Unassigned | 200,804 | -- | 200,804 |
| Total Fund Balances | <u>234,516</u> | <u>1,318,638</u> | <u>1,553,154</u> |
| Total Liabilities and Fund Balances | <u>\$ 326,540</u> | <u>\$ 1,732,224</u> | <u>\$ 2,058,764</u> |

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

Northeast Educational Services Cooperative No. 28-201
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2022

| | |
|---|----------------------------|
| Total Fund Balances - Governmental Funds | \$ 1,553,154 |
| 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. | 890,368 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of these assets, net of depreciation, is: | 359,079 |
| Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. | 1,235,902 |
| Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. | <u>(1,720,147)</u> |
| Net Position - Governmental Activities | <u><u>\$ 2,318,356</u></u> |

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

Northeast Educational Services Cooperative No. 28-201
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2022

| | <u>General</u> | <u>Special Education</u> | <u>Total Governmental Funds</u> |
|--|-------------------|------------------------------|---|
| Revenues | | | |
| Revenue from Local Sources: | | | |
| Tuition and Fees: | | | |
| Regular day school tuition | \$ -- | \$ 718,383 | \$ 718,383 |
| Earnings on Investment and Deposits: | 500 | 3,053 | 3,553 |
| Other Revenue from Local Sources: | | | |
| Other | 290,083 | 1,277,237 | 1,567,320 |
| Revenue from State Sources: | | | |
| Grants-in-Aid: | | | |
| Unrestricted grants-in-aid | -- | 135,111 | 135,111 |
| Other state revenue | -- | 54,166 | 54,166 |
| Revenue from Federal Sources: | | | |
| Grants-in-Aid: | | | |
| Unrestricted grants-in-aid received from federal government through the state | 269 | -- | 269 |
| Restricted grants-in-aid received from federal government through the state | 79,344 | 2,474,187 | 2,553,531 |
| Total Revenues | <u>\$ 370,196</u> | <u>\$ 4,662,137</u> | <u>\$ 5,032,333</u> |
| Expenditures | | | |
| Instructional Services: | | | |
| Regular Programs: | | | |
| Elementary | \$ 23,778 | \$ -- | \$ 23,778 |
| Special Programs: | | | |
| Programs for special education | -- | 1,105,046 | 1,105,046 |
| Support Services: | | | |
| Pupils: | | | |
| Psychological | -- | 655,977 | 655,977 |
| Speech pathology | -- | 1,165,464 | 1,165,464 |
| Student therapy services | -- | 750,991 | 750,991 |
| Instructional Staff: | | | |
| Improvement of instruction | 58,966 | 97,391 | 156,357 |
| Educational media | 7,038 | 65,951 | 72,989 |
| General Administration: | | | |
| Board of education | 11,416 | 89,092 | 100,508 |
| Executive administration | 30,057 | 289,500 | 319,557 |
| Business: | | | |
| Fiscal services | 8,937 | 90,821 | 99,758 |
| Operation and maintenance of plant | 123,515 | 29,488 | 153,003 |
| Student transportation | 9,900 | -- | 9,900 |
| Capital Outlay | 75,325 | -- | 75,325 |
| Total Expenditures | <u>348,932</u> | <u>4,339,721</u> | <u>4,688,653</u> |
| Other Financing Sources | | | |
| Sale of surplus property | 710 | -- | 710 |
| Compensation for Loss of General Capital Assets | 15,933 | -- | 15,933 |
| Total Other Financing Sources (Uses) | <u>16,643</u> | <u>--</u> | <u>16,643</u> |
| Net Change in Fund Balances | 37,907 | 322,416 | 360,323 |
| Fund Balance, Beginning of Year | <u>196,609</u> | <u>996,222</u> | <u>1,192,831</u> |
| Fund Balance, End of Year | <u>\$ 234,516</u> | <u>\$ 1,318,638</u> | <u>\$ 1,553,154</u> |

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

Northeast Educational Services Cooperative No. 28-201
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 June 30, 2022

| | | |
|--|----|-----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 360,323 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| This amount represents capital outlays which are reported as expenditures on the fund financial statements but the costs of the assets are allocated over their estimated useful lives. | | 75,325 |
| This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. | | (69,146) |
| In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds of from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. | | (8,720) |
| Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. | | <u>238,314</u> |
| Change in net position of governmental activities | \$ | <u><u>596,096</u></u> |

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

Northeast Educational Services Cooperative No. 28-201
Statement of Net Position – Fiduciary Funds
June 30, 2022

| | <u>Custodial Funds</u> |
|---------------------------|------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 6,605 |
| Total Assets | <u>\$ 6,605</u> |
| Liabilities: | |
| No Liabilities | <u>\$ --</u> |
| Total Liabilities | <u>--</u> |
| Net Position: | |
| Restricted for Flex | <u>6,605</u> |
| Total Net Position | <u>\$ 6,605</u> |

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

Northeast Educational Services Cooperative No. 28-201

Statement of Changes in Net Position – Fiduciary Funds

June 30, 2022

| | Custodial Funds |
|---------------------------------|----------------------------|
| Additions: | |
| Flex Revenues | <u>\$ 25,106</u> |
| Total Additions | <u>25,106</u> |
| Deductions: | |
| Flex Expenses | <u>25,767</u> |
| Total Deductions | <u>25,767</u> |
| Change in Net Position | <u>(661)</u> |
| Net Position - Beginning | <u>7,266</u> |
| Net Position - Ending | <u><u>\$ 6,605</u></u> |

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

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

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

| | | | |
|--|----|--|-----|
| Arlington School District No. 38-1 | 3% | Florence School District No. 14-1 | 4% |
| Britton-Hecla School District No. 45-4 | 5% | Hamlin School District No. 28-3 | 11% |
| Castlewood School District No. 28-1 | 4% | Henry School District No. 14-2 | 2% |
| Clark School District No. 12-2 | 5% | Iroquois School District No. 2-3 | 3% |
| De Smet School District No. 38-2 | 4% | Lake Preston School District No. 38-3 | 2% |
| Deubrook School District No. 5-6 | 5% | Oldham Ramona School District No. 39-5 | 2% |
| Deuel School District No. 19-4 | 7% | Rosholt School District No. 54-5 | 3% |
| Elkton School District No. 5-3 | 5% | Rutland School District No. 39-4 | 2% |
| Enemy Swim Day School | 2% | Sioux Valley School District No. 5-5 | 8% |
| Estelline School District No. 28-2 | 3% | Summit School District No. 54-6 | 2% |
| Waubay School District No. 18-3 | 2% | Willow Lake School District No. 12-3 | 4% |
| Waverly School District No. 14-5 | 3% | Wilmot School District No. 54-7 | 3% |
| Webster Area School District No. 18-5 | 6% | | |

The governing board is composed of one representative from each member school district, who is a school board member of the member school district. The governing board is responsible for adopting the cooperative's budget and setting service fees at a level adequate to fund the adopted budget.

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for the fiduciary funds. These statements distinguish between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or service.

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

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

1. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year or because of public interest in the fund's operations.

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Governmental Funds:

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

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

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

Fiduciary Funds:

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

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The Cooperative maintains custodial funds to hold assets as an agent in a trustee capacity for flex accounts, and so on.

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.

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the fiduciary 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 funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Cooperative is 60 days. The revenues which are accrued at June 30, 2022, are amounts due from other governments.

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

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

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

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 pool, 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.

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

e. Capital Assets:

Capital assets include land, buildings, improvements, 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 of 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 estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place 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 Cooperative has borrowed no money for construction of fixed assets. Should the Cooperative borrow funds for construction of fixed assets, interest costs incurred during construction of general capital assets will not be capitalized along with other capital assets costs.

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 thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements are as follows:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-----------|-------------------------------------|--------------------------------|----------------------------------|
| Land | ALL | NA | NA |
| Buildings | \$ 25,000 | Straight-line | 25-50 Years |
| Equipment | 5,000 | Straight-line | 2-20 Years |

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

f. 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:

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.

Program Revenues – Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the use in a particular program.

Program Revenues – 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.

g. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

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 acquisition, construction, or improvement of those assets.

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.

Unrestricted Net Position – All other net positions 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. Fiduciary fund equity is reported as restricted net position.

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

h. 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.

i. 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 purpose which are externally imposed by the 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.
- 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 Government would first use *committed*, then *assigned*, and lastly *unassigned amounts* of unrestricted fund balance when expenditures are made.

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

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' fiduciary net position have been determined on the same basis as they are reported by SDRS. School contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

2. Deposits and Investments:

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 School 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.

As of June 30, 2022, the Cooperative’s investments reported in the financial statements 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. As of June 30, 2022, the Cooperative’s deposits in financial institutions were not exposed to credit risk.

Custodial Credit Risk – Investments – The risk that, in the event of the counterparty to a transaction, the Cooperative will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Cooperative does not have deposit policy for custodial credit risk. As of June 30, 2022, the Cooperative’s deposits in financial institutions were not exposed to any custodial credit risk.

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 of the fund making the investment. The Cooperative’s policy is to credit all income from investments to the Fund making the investment.

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

3. Receivables and Payables:

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

4. Inventory:

Inventory is stated at the lower of cost or market. The cost valuation method is the first in, first out (FIFO) method.

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

5. Changes in Capital Assets:

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

| | <u>Balance 6/30/2021</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 6/30/2022</u> |
|---|------------------------------|------------------|------------------|------------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,451 | \$ -- | \$ -- | 1,451 |
| Total capital assets not being depreciated | <u>1,451</u> | <u>--</u> | <u>--</u> | <u>1,451</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 58,849 | -- | -- | 58,849 |
| Equipment | 668,996 | 75,325 | 52,800 | 691,521 |
| Total capital assets being depreciated | <u>727,845</u> | <u>75,325</u> | <u>52,800</u> | <u>750,370</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 18,832 | 1,177 | -- | 20,009 |
| Equipment | 348,844 | 67,969 | 44,080 | 372,733 |
| Total accumulated depreciation | <u>367,676</u> | <u>69,146</u> | <u>44,080</u> | <u>392,742</u> |
| Total capital assets being depreciated, net | <u>360,169</u> | <u>6,179</u> | <u>8,720</u> | <u>357,628</u> |
| Net Capital Assets | <u>\$ 361,620</u> | <u>\$ 6,179</u> | <u>\$ 8,720</u> | <u>\$ 359,079</u> |

Depreciation expense was charged to functions as follows:

| | |
|----------------------------|------------------|
| Governmental activities: | |
| Support services | \$ 69,146 |
| Total Depreciation Expense | <u>\$ 69,146</u> |

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

6. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2022 was as follows:

| <u>Purpose</u> | <u>Restricted By</u> | <u>Amount</u> |
|------------------------|----------------------|---------------------|
| Major Purposes: | | |
| Special Education | Law | \$ 1,318,638 |
| SDRS Pension Purposes | Law | 406,123 |
| NPIP Insurance Reserve | Contract | 32,777 |
| Total | | <u>\$ 1,757,538</u> |

7. Risk Management:

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

Employee Health Insurance:

The Cooperative joined the Northern Plains Insurance Pool. This is a risk pool currently operative as a common risk management and insurance program for local government entities. The Cooperative pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members.

The coverage includes the option of three different plans with a deductible from \$2,000 to \$4,000.

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

Workers' Compensation:

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

Unemployment Benefits:

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

The Cooperative has assigned fund balance in the amount of \$831 in the General Fund for the payment of future unemployment benefits.

During the year ended June 30, 2022, no claims for unemployment benefits were paid. At June 30, 2022, not claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

8. Pension Plan:

a. Plan Information:

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vest 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, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

b. Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

8. Pension Plan: (Continued)

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.

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

c. 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 years ended June 30, were:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2022 | \$ 173,857 |
| 2021 | \$ 158,301 |
| 2020 | \$ 154,210 |

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

8. Pension Plan: (Continued)

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

At June 30, 2021, SDRS is 105.52% funded and accordingly has a net pension (asset). The proportionate share of the components of the net pension (asset) of the South Dakota Retirement System, for the Cooperative as of the measurement period ending June 30, 2021 and reported by the Cooperative as of June 30, 2022 are as follows:

| | |
|---|----------------------------|
| Proportionate share of pension liability | \$ 16,121,319 |
| Less proportionate share of net pension restricted for pension benefits | <u>17,011,687</u> |
| Proportionate share of net pension (asset) | <u><u>\$ (890,368)</u></u> |

At June 30, 2022, the Cooperative reported an (asset) of (\$890,368) for its proportionate share of the net pension (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Cooperative's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School's proportion was 0.11626200%, which is a decrease of -0.0009164% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School recognized a reduction of pension expense of \$(238,314). At June 30, 2022, the School 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 | \$ 31,967 | \$ 2,334 |
| Changes in assumption | 1,023,914 | 445,883 |
| Net difference between projected and actual earnings on pension plan investments | | 1,271,908 |
| Changes in proportion and difference between School District contributions and proportionate share of contributions | 6,165 | 22 |
| School District contributions subsequent to the measurement date | <u>173,857</u> | <u>--</u> |
| Total | <u><u>\$ 1,235,903</u></u> | <u><u>\$ 1,720,147</u></u> |

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

8. Pension Plan: (Continued)

\$173,857 reported as deferred outflow of resources related to pensions resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

| | <u>Year Ended</u> <u>June 30,</u> | |
|--|--------------------------------------|---------------------|
| | 2023 | \$ (159,069) |
| | 2024 | (110,057) |
| | 2025 | (31,161) |
| | 2026 | <u>(357,816)</u> |
| | Total | <u>\$ (658,103)</u> |

e. Actuarial Assumptions:

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

| | |
|------------------|---|
| Inflation | 2.25% |
| Salary Increases | graded by years of service, from 6.5% at entry to 3% after 25 years of service |
| Discount Rate | 6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%. |
| Future COLAs | 2.25% |

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

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

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

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

8. Pension Plan: (Continued)

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Expected Real Rate of Return</u> |
|--------------------|--------------------------|-------------------------------------|
| Global equity | 58.0% | 4.3% |
| Fixed income | 30.0% | 1.6% |
| Real estate | 10.0% | 4.6% |
| Cash | 2.0% | 0.9% |
| Total | <u>100.0%</u> | |

f. 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).

g. Sensitivity of liability (asset) to changes in the discount rate:

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

| | <u>1% Decrease</u> | <u>Curent Discount Rate</u> | <u>1% Increase</u> |
|---|---------------------|-----------------------------|-----------------------|
| District's proportionate share of the net pension liability (asset) | <u>\$ 1,441,727</u> | <u>\$ (890,368)</u> | <u>\$ (2,783,486)</u> |

h. Pension Plan Fiduciary Net Position:

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

Northeast Educational Services Cooperative No. 28-201

Notes to the Financial Statements

June 30, 2022

9. Significant Contingencies - Litigation:

As of June 30, 2022, The Cooperative was not involved in any litigation.

Required Supplementary Information

Northeast Educational Services Cooperative No. 28-201
 Required Supplementary Information –
 Budgetary Comparison Schedule – General Fund – Budgetary Basis
 June 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Positive (Negative)</u> |
| Revenues | | | | |
| Revenue from Local Sources: | | | | |
| Earnings on Investments and Deposits | \$ 325 | \$ 325 | \$ 500 | \$ 175 |
| Other Revenue from Local Sources: | | | | |
| Services provided from other LEAs | 74,438 | 74,760 | -- | (74,760) |
| Other | 307,245 | 307,245 | 290,083 | (17,162) |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted grants-in-aid received from federal government through the state | -- | -- | 269 | 269 |
| Restricted grants-in-aid received from federal government through the state | 80,266 | 79,784 | 79,344 | (440) |
| Total Revenues | <u>\$ 462,274</u> | <u>\$ 462,114</u> | <u>370,196</u> | <u>\$ (91,918)</u> |
| Expenditures | | | | |
| Instructional Services: | | | | |
| Regular Programs: | | | | |
| Elementary programs | \$ 27,411 | \$ 27,411 | \$ 23,778 | \$ 3,633 |
| Support Services: | | | | |
| Support Services - Instructional Staff: | | | | |
| Improvement of Instruction | 154,264 | 154,104 | 58,966 | 95,138 |
| Educational Media | 13,000 | 7,846 | 7,038 | 808 |
| Support Services - General Administration: | | | | |
| Board of education | 13,023 | 13,023 | 11,416 | 1,607 |
| Executive administration | 31,609 | 31,609 | 30,057 | 1,552 |
| Support Services - Business: | | | | |
| Fiscal services | 9,616 | 9,616 | 8,937 | 679 |
| Operation and maintenance of plant | 233,351 | 225,505 | 198,840 | 26,665 |
| Student transportation | -- | 13,000 | 9,900 | 3,100 |
| Total Expenditures | <u>482,274</u> | <u>482,114</u> | <u>348,932</u> | <u>133,182</u> |
| Other Financing Sources | | | | |
| Sale of surplus property | -- | -- | 710 | 710 |
| Compensation for loss of general capital asset | -- | -- | 15,933 | 15,933 |
| Total Other Financing Sources (Uses) | <u>--</u> | <u>--</u> | <u>16,643</u> | <u>16,643</u> |
| Net Change in Fund Balances | (20,000) | (20,000) | 37,907 | 57,907 |
| Fund Balance, Beginning of Year | 196,609 | 196,609 | 196,609 | -- |
| Fund Balance, End of Year | <u>\$ 176,609</u> | <u>\$ 176,609</u> | <u>\$ 234,516</u> | <u>\$ 57,907</u> |

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

Northeast Educational Services Cooperative No. 28-201
 Required Supplementary Information –
 Budgetary Comparison Schedule – Special Education Fund – Budgetary Basis
 June 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Tuition and Fees: | | | | |
| Regular day school tuition | \$ 745,967 | \$ 745,967 | \$ 718,383 | \$ (27,584) |
| Earnings on Investments and Deposits | 1,700 | 1,700 | 3,053 | 1,353 |
| Other Revenue from Local Sources: | | | | |
| Other | 1,276,361 | 1,276,361 | 1,277,237 | 876 |
| Revenue from State Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted grants-in-aid | 135,111 | 135,111 | 135,111 | -- |
| Other state revenue | 44,500 | 44,500 | 54,166 | 9,666 |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid: | | | | |
| Restricted grants-in-aid received from federal government through the state | 2,485,074 | 2,485,074 | 2,474,187 | (10,887) |
| Total Revenues | <u>\$ 4,688,713</u> | <u>\$ 4,688,713</u> | <u>4,662,137</u> | <u>\$ (26,576)</u> |
| Expenditures | | | | |
| Instructional Services: | | | | |
| Special Programs: | | | | |
| Programs for special education | \$ 1,150,131 | \$ 1,150,130 | \$ 1,105,046 | \$ 45,084 |
| Support Services: | | | | |
| Pupils: | | | | |
| Psychological | 694,950 | 694,950 | 655,977 | 38,973 |
| Speech pathology | 1,214,185 | 1,214,185 | 1,165,464 | 48,721 |
| Student therapy services | 848,998 | 848,998 | 750,991 | 98,007 |
| Support Services - Instructional Staff: | | | | |
| Improvement of instruction | 137,611 | 137,611 | 97,391 | 40,220 |
| Educational media | 79,332 | 79,332 | 65,951 | 13,381 |
| Support Services - General Administration: | | | | |
| Board of education | 101,347 | 101,347 | 89,092 | 12,255 |
| Executive administration | 319,597 | 319,597 | 289,500 | 30,097 |
| Support Services - Business: | | | | |
| Fiscal services | 97,232 | 97,232 | 90,821 | 6,411 |
| Operation and maintenance of plant | 45,330 | 45,331 | 29,488 | 15,843 |
| Total Expenditures | <u>4,688,713</u> | <u>4,688,713</u> | <u>4,339,721</u> | <u>348,992</u> |
| Net Change in Fund Balances | -- | -- | 322,416 | 322,416 |
| Fund Balance, Beginning of Year | <u>996,222</u> | <u>996,222</u> | <u>996,222</u> | <u>--</u> |
| Fund Balance, End of Year | <u>\$ 996,222</u> | <u>\$ 996,222</u> | <u>1,318,638</u> | <u>\$ 322,416</u> |

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

Northeast Educational Services Cooperative No. 28-201
Notes To the Required Supplementary Information
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget
June 30, 2022

Note 1 – Budgets and Budgetary Accounting:

The Cooperative follows 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 in number (8).
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School 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 the adoption of supplemental budgets when monies 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 each major special revenue fund.
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.

Northeast Educational Services Cooperative No. 28-201
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability (asset) | 0.1162620% | 0.1171784% | 0.1174857% | 0.1202797% | 0.1228020% | 0.1217707% | 0.1272067% | 0.1354982% |
| District's proportionate share of net pension liability (asset) | \$ (890,368) | \$ (5,089) | \$ (12,450) | \$ (2,805) | \$ (11,144) | \$ 411,329 | \$ (539,520) | \$ (976,209) |
| District's covered-employee payroll | \$ 2,638,345 | \$ 2,570,154 | \$ 2,498,930 | \$ 2,500,492 | \$ 2,495,081 | \$ 2,315,467 | \$ 2,322,423 | \$ 2,366,977 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 33.75% | 0.20% | 0.50% | 0.11% | 0.45% | 17.76% | 23.23% | 41.24% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 105.52% | 100.04% | 100.09% | 100.02% | 100.10% | 96.89% | 104.10% | 107.30% |

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School will present information for those years which information is available.

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability (asset) which is June 30 of the preceding year.

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

Northeast Educational Services Cooperative No. 28-201
Schedule of the Cooperative Contributions to Pension
South Dakota Retirement System

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually-required contribution | \$ 173,857 | \$ 158,301 | \$ 154,210 | \$ 149,908 | \$ 150,030 | \$ 149,705 | \$ 138,928 | \$ 139,346 |
| Contributions in relation to the contractually-required contribution | <u>173,857</u> | <u>158,301</u> | <u>154,210</u> | <u>149,908</u> | <u>150,030</u> | <u>149,705</u> | <u>138,928</u> | <u>139,346</u> |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| District's covered-employee payroll | \$ 2,896,519 | \$ 2,638,345 | \$ 2,570,154 | \$ 2,498,930 | \$ 2,500,492 | \$ 2,495,081 | \$ 2,315,467 | \$ 2,322,423 |
| Contributions as a percentage of employee-covered payroll | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School will present information for those years which information is available.

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

Northeast Educational Services Cooperative No. 28-201
Notes to Required Supplementary Information
Schedule of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions
For the Year Ended June 30, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

The change in the COLA assumption increased the Actuarial Accrued Liability of \$1.135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

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

Actuarial Method Changes

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

Supplementary Information

Northeast Educational Services Cooperative No. 28-201

Schedule of Expenditures of Federal Awards

June 30, 2022

| <u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|---|--|---|---------------------------------|
| U.S. Department of Education: | | | |
| Pass through the S.D. Department of Education: | | | |
| Special Education Cluster: (Note 3) | | | |
| Special Education Grants to States (IDEA, Part B) | 84.027 | H027A180091 | \$ 2,439,749 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | H173A180091 | <u>93,726</u> |
| Total Special Education Cluster | | | <u>2,533,475</u> |
| Education Stabilization Fund | 84.425C | H173A180091 | <u>4,379</u> |
| Total U.S. Department of Education | | | <u> </u> |
| Grand Total | | | <u><u>\$ 2,537,854</u></u> |

Northeast Educational Services Cooperative No. 28-201

Schedule of Expenditures of Federal Awards

June 30, 2022 (Continued)

1. Basis Of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Cooperative under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Cooperative.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Cooperative has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.