

**OAHE SPECIAL EDUCATION COOPERATIVE**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2023**

# OAHE SPECIAL EDUCATION COOPERATIVE

## COOPERATIVE OFFICIALS

JUNE 30, 2023

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### Member Schools

Bowdle  
Eureka  
Herreid  
Hoven  
Selby Area  
Smee

### Governing Board

Miranda Schlechter  
Corey Eberhart, Vice President  
Colleen Rueb, President  
Robert Spindler  
Brett Huber  
Willard Two Bears

### Alternates

Liz Osterday  
Holly Randall  
Steve Zabel

### Director

Marti Schuetzle

### Business Manager

Lori Lutz

**OAHE SPECIAL EDUCATION COOPERATIVE**  
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**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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WITH OFFICES IN

MILLER, SOUTH DAKOTA

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

To the Cooperative Board  
Oahe Special Education Cooperative  
Java, 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 Oahe Special Education Cooperative (Cooperative), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated June 21, 2024.

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 Cooperative's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item #2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Cooperative's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Cooperative's response to the findings identified in our audit and described in the accompanying Schedule of Current Audit Findings. The Cooperative's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

*Kohlman Bierschbach & Anderson LLP*

June 21, 2024

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2023**

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PRIOR AUDIT FINDINGS:

2022-001

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

Status:

This finding has not been corrected and is restated as current audit finding 2023-001.

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2023**

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CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2023-001

Criteria

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

Condition Found

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

Cause

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

Effect

The Cooperative has a limited number of employees who prepare all records for cash; revenues, receivables and grants; budget; expenditures and payroll; debt; and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner,

Recommendation

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

Views of Responsible Officials

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



**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
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MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

To the School Board  
Oahe Special Education Cooperative  
Java, 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 the Oahe Special Education Cooperative (Cooperative), as of and for the year then ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cooperative, of as June 30, 2023, and the respective changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosure 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 Cooperatives's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

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

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and Pension Schedules on pages 27 through 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2024, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Cooperative's internal control over financial reporting and compliance.

*Kohlman Bierbach & Anderson LLP*

June 21, 2024

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	PRIMARY GOVERNMENT
	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 625,528
Other assets	12,058
Net pension asset	2,405
TOTAL ASSETS	639,991
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferred outflows	244,179
TOTAL DEFERRED OUTFLOWS OF RESOURCES	244,179
LIABILITIES:	
Accounts payable	1,697
Other current liabilities	98,142
TOTAL LIABILITIES	99,839
DEFERRED INFLOWS OF RESOURCES:	
Pension related deferred inflows	139,827
TOTAL DEFERRED INFLOWS OF RESOURCES	139,827
NET POSITION:	
Restricted for:	
SDRS pension purposes	106,757
Unrestricted	537,747
TOTAL NET POSITION	\$ 644,504

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	\$ 335,983	\$ -	\$ 20,680	\$ (315,303)
Support services	573,475	903,386	-	329,911
*Interest on long-term debt	<u>83</u>	<u>-</u>	<u>-</u>	<u>(83)</u>
Total Governmental Activities	<u>909,541</u>	<u>903,386</u>	<u>20,680</u>	<u>14,525</u>
Total Primary Government	<u>\$ 909,541</u>	<u>\$ 903,386</u>	<u>\$ 20,680</u>	<u>14,525</u>
General Revenues:				
				1,170
Unrestricted investment earnings				1,397
Other general revenues				<u>2,567</u>
Total General revenues				<u>17,092</u>
Change in Net Position				<u>627,412</u>
Net Position - Beginning				<u>644,504</u>
Net Position - Ending				<u>\$ 644,504</u>

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

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 625,528
Accounts receivable - net	4,606
Prepaid items	<u>7,452</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>637,586</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>	
<b>LIABILITIES:</b>	
Accounts payable	\$ 1,697
Contracts payable	85,162
Payroll deductions and withholdings and employer matching payable	<u>12,980</u>
<b>TOTAL LIABILITIES</b>	<b><u>99,839</u></b>
<b>FUND BALANCES:</b>	
Nonspendable:	
Prepays	7,452
Assigned:	
Next year's budget	79,249
Unassigned	<u>451,046</u>
<b>TOTAL FUND BALANCES</b>	<b><u>537,747</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>637,586</u></b>

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

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Total Fund Balances - Governmental Funds	\$ 537,747
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 he funds.	2,405
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	244,179
Pension related referred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(139,827)</u>
Net Position - Governmental Activities	<u>\$ 644,504</u>

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>
REVENUES:	
Revenue from Local Sources:	
Earnings on investments and deposits	\$ 1,170
Other revenue from local sources:	
Services provided other school districts	903,386
Other	1,397
Revenue from Federal Sources:	
Grants-in-aid	
Restricted grants-in-aid received from federal government through the state	<u>20,680</u>
<b>TOTAL REVENUES</b>	<u><b>926,633</b></u>
EXPENDITURES:	
Instruction:	
Special programs:	
Programs for special education	338,013
Support Services:	
Students:	
Psychological	136,167
Speech pathology	148,391
Student therapy services	117,974
Instructional staff:	
Improvement of instruction	28
General administration:	
Board of education	24,753
Executive administration	64,033
Business:	
Fiscal services	76,620
Operation and maintenance of plant	716
Debt Services	<u>7,800</u>
<b>TOTAL EXPENDITURES</b>	<u><b>914,495</b></u>
<b>NET CHANGE IN FUND BALANCES</b>	12,138
<b>FUND BALANCE - BEGINNING</b>	<u><b>525,609</b></u>
<b>FUND BALANCE - ENDING</b>	<u><u><b>\$ 537,747</b></u></u>

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

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Net Change in Fund Balances - Total Governmental Funds	\$	12,138
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents the current year depreciation/amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.		7,717
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.		
Lease      \$ <u>      (7,717)</u>		(7,717)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense)		4,272
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		<u>      682</u>
Change in Net Position of Governmental Activities	\$	<u><u>      17,092</u></u>

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



**OAHE SPECIAL EDUCATION COOPERATIVE**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2023**

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	<u>Private-Purpose Trust Funds</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ <u>491</u>
TOTAL ASSETS	\$ <u><u>491</u></u>
NET POSITION:	
Held in trust for scholarships	\$ <u>491</u>
TOTAL NET POSITION	\$ <u><u>491</u></u>

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	Private-Purpose Trust Funds
ADDITIONS:	
Investment earnings:	
Interest and dividends	\$ <u>1</u>
TOTAL ADDITIONS	<u>1</u>
DEDUCTIONS:	
Scholarships	<u>62</u>
TOTAL OPERATING EXPENSES	<u>62</u>
CHANGE IN NET POSITION	(61)
NET POSITION - BEGINNING	<u>552</u>
NET POSITION - ENDING	\$ <u><u>491</u></u>

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

a. **Financial Reporting Entity:**

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

b. **Basis of Presentation:**

**Government-Wide Financial Statements:**

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

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

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

**Fund Financial Statements:**

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

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

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

**Governmental Funds:**

**General Fund** - A fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the Cooperative, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 1 - (Continued)

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transaction 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:

Governmental-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, 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, 2023, are amounts due from member School Districts.

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

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 1 - (Continued)

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

d. Deposits

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

e. Capital Assets:

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

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

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total June 30, 2023 balance of capital assets for governmental activities are all valued at original costs.

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, 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 values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Intangible Lease Assets	\$ 5,000	Straight-line	2 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

f. Leases:

Lessee:

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 1 - (Continued)

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

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

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

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

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

g. Program Revenues:

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

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

h. Deferred Inflows and Deferred Outflows of Resources:

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

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

i. Equity Classifications:

Government-Wide Financial Statements:

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

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 1 - (Continued)

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Fiduciary fund equity is reported as restricted net position.

j. Application of Net Position:

It is the Cooperative's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

k. Fund Balance Classification Policies and Procedures:

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Governing Board.

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

The Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as prepaid items.

The Cooperative uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

l. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Cooperative contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD**

In 2023, the Cooperative implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. This statement changed the way that subscription-based information technology arrangements are reported. The effect of the implementation of this standard had no effect on the financial statements.

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

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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

**Investments** - In general, SDCL 4-5-6 permits Cooperative funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

As of June 30, 2023, the Cooperative did not have any investments.

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

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

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

**NOTE 4 - RECEIVABLES AND PAYABLES**

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



**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2023, is as follows:

**PRIMARY GOVERNMENT**

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Governmental activities:				
Capital assets, being depreciated/amortized:				
Other intangible asset	\$ 15,304	\$ -	\$ 15,304	\$ -
Total, being depreciated/amortized	15,304	-	15,304	-
Less accumulated depreciation/amortization for:				
Other intangible asset	7,587	7,717	15,304	-
Total accumulated depreciation/amortization	7,587	7,717	15,304	-
Total capital assets, being depreciated/amortized net	7,717	(7,717)	-	-
Governmental activity capital assets, net	\$ 7,717	\$ (7,717)	\$ -	\$ -

Depreciation/Amortization expense was charged to function as follows:

Governmental Activities:	
Depreciation/Amortization - unallocated	\$ <u>7,717</u>

**NOTE 6 - LEASES**

The Cooperative has a lease for office space for a 2 year period beginning July 1, 2021, which is paid out of the General Fund. The Cooperative paid a total of \$7,800 for the building lease from the General Fund for the year ended June 30, 2023.

**NOTE 7 - RESTRICTED NET POSITION**

Restricted Net Position for the year ended June 30, 2023, was as follows:

Purpose	Restricted By	Amount
Other Purposes:		
SDRS pension purposes	Law	\$ <u>106,757</u>
Total Restricted Net Position		\$ <u>106,757</u>

These balances are restricted due to federal grant and statutory requirements.

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 8 - PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund Members, and Class D Department of Labor and Regulation members.

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

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

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

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

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

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

NOTE 8 - (Continued)

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% salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Cooperative's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021, were \$37,128, \$36,446, and \$41,559, respectively, equal to the required contributions each year.

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

At June 30, 2022, SDRS is 100.1% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Cooperative as of this measurement period ending June 30, 2022, and reported by the Cooperative as of June 30, 2023, are as follows:

Proportionate share of pension liability	\$	3,591,126
Less proportionate share of net pension restricted for pension benefits		<u>3,593,531</u>
Proportionate share of net pension liability (asset)	\$	<u><u>(2,405)</u></u>

At June 30, 2023, the Cooperative reported an asset of \$(2,405) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was based on a projection of the Cooperative's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Cooperative's proportion was .02543900%, which is a decrease of 0.005083% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Cooperative recognized pension expense of \$(4,954). At June 30, 2023, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 45,765	\$ 156
Change in assumption	152,800	133,909
Net difference between projected and actual earnings on pension plan investments	-	5,762
Changes in proportion and difference between Cooperative contributions and proportionate share of contributions	8,486	-
Cooperative contributions subsequent to the measurement date	<u>37,128</u>	<u>-</u>
<b>TOTAL</b>	<b><u><u>\$ 244,179</u></u></b>	<b><u><u>\$ 139,827</u></u></b>

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

NOTE 8 - (Continued)

\$37,128 reported as deferred outflow of resources related to pensions resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending June 30:		
2024	\$	18,868
2025		35,668
2026		(35,821)
2027		48,509
TOTAL	\$	67,224

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020 Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should 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.

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

NOTE 8 - (Continued)

These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0 %	3.7 %
Fixed Income	30.0 %	1.1 %
Real Estate	10.0 %	2.6 %
Cash	<u>2.0 %</u>	0.4 %
Total	<u><u>100.0 %</u></u>	

Discount Rate:

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

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

The following presents the Cooperative's proportionate share of net pension liability (asset) 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 current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Cooperative's proportionate share of the net pension liability (asset)	\$ 499,199	\$ (2,405)	\$ (412,346)

Pension Plan Fiduciary Net Position:

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

NOTE 9 - RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2023, the Cooperative managed its risks as follows:

Employee Health Insurance:

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

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 9 - (Continued)

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

Liability Insurance:

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

Workers' Compensation:

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

Unemployment Benefits:

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

During the year ended June 30, 2023, no claims for unemployment benefits were paid. At June 30, 2023, no claims had been filed for unemployment benefits, and none are anticipated in the next fiscal year.

NOTE 10 - LITIGATION

At June 30, 2023, the Cooperative was not involved in any litigation.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through June 21, 2024, the date on which the financial statements were available to be issued. Management has determined there are none.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THEN MD&A**

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Final Budget- Positive (Negative)
<b>REVENUES:</b>				
Revenue from Local Sources:				
Earnings on investments and deposits	\$ 7,000	\$ 7,000	\$ 1,170	\$ (5,830)
Other revenue from local source				
Services provided other school districts	923,330	923,330	903,386	(19,944)
Other	4,000	4,000	1,397	(2,603)
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	2,500	2,500	-	(2,500)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>21,091</u>	<u>21,091</u>	<u>20,680</u>	<u>(411)</u>
<b>TOTAL REVENUES</b>	<u>957,921</u>	<u>957,921</u>	<u>926,633</u>	<u>(31,288)</u>
<b>EXPENDITURES:</b>				
Instruction:				
Special programs:				
Programs for special education	399,194	399,194	338,013	61,181
Support Services:				
Students:				
Psychological	145,732	145,732	136,167	9,565
Speech pathology	163,398	163,398	148,391	15,007
Student therapy services	128,795	128,795	117,974	10,821
Instructional staff:				
Improvement of instruction	2,900	2,900	28	2,872
General administration:				
Board of education	34,074	34,074	24,753	9,321
Executive administration	72,464	72,464	64,033	8,431
Business:				
Fiscal services	77,505	77,505	76,620	885
Operation and maintenance of plant	9,682	9,682	716	8,966
Nonprogrammed Charges:				
Insurance costs	2,000	2,000	-	2,000
Debt Services	<u>-</u>	<u>-</u>	<u>7,800</u>	<u>(7,800)</u>
<b>TOTAL EXPENDITURES</b>	<u>1,035,744</u>	<u>1,035,744</u>	<u>914,495</u>	<u>121,249</u>
<b>NET CHANGE IN FUND BALANCES</b>	(77,823)	(77,823)	12,138	89,961
<b>FUND BALANCE - BEGINNING</b>	<u>525,609</u>	<u>525,609</u>	<u>525,609</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 447,786</u>	<u>\$ 447,786</u>	<u>\$ 537,747</u>	<u>\$ 89,961</u>



**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND**  
**JUNE 30, 2023**

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NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE COOPERATIVE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**SOUTH DAKOTA RETIREMENT SYSTEM**  
**LAST 9 FISCAL YEARS\***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Cooperative's proportion of the net pension liability (asset)	0.0254390 %	0.0305220 %	0.0280630 %	0.0281303 %	0.03 %	0.0364522 %	0.0301240 %	0.032501 %	0.03 %
Cooperative's proportionate share of pension liability (asset)	\$ (2,405)	\$ (233,747)	\$ (1,219)	\$ (2,981)	\$ (692)	\$ (3,308)	\$ 101,757	\$ (137,844)	\$ (244,942)
Cooperative's covered payroll	\$ 607,426	\$ 692,654	\$ 615,897	\$ 592,465	\$ 622,347	\$ 740,627	\$ 572,815	\$ 593,361	\$ 594,530
Cooperative's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.40 %	33.75 %	0.20 %	0.50 %	0.11 %	0.45 %	17.76 %	23.23 %	41.20 %
Plan fiduciary net position as a percentage of the total pension liability (asset)	100 %	106 %	100 %	100 %	100 %	100 %	97 %	104 %	107 %

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 37,128	\$ 36,446	\$ 41,559	\$ 36,954	\$ 35,548	\$ 37,341	\$ 44,438	\$ 34,369	\$ 35,601	\$ 35,672
Contributions in relation to the contractually required contribution	\$ <u>37,128</u>	\$ <u>36,446</u>	\$ <u>41,559</u>	\$ <u>36,954</u>	\$ <u>35,548</u>	\$ <u>37,341</u>	\$ <u>44,438</u>	\$ <u>34,369</u>	\$ <u>35,601</u>	\$ <u>35,672</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Cooperative's covered payroll	\$ 618,794	\$ 607,426	\$ 692,654	\$ 615,897	\$ 592,465	\$ 622,347	\$ 740,627	\$ 527,815	\$ 593,361	\$ 594,530
Contributions as a percentage of covered payroll	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF**  
**PENSION CONTRIBUTIONS**  
**JUNE 30, 2023**

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Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

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

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

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

**OAHE SPECIAL EDUCATION COOPERATIVE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF**  
**PENSION CONTRIBUTIONS**  
**JUNE 30, 2023**  
**(CONTINUED)**

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Actuarial Method Changes

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