

**PRAIRIE LAKES
EDUCATIONAL COOPERATIVE**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2021

PRAIRIE LAKES EDUCATIONAL COOPERATIVE
BOARD OF DIRECTORS
JUNE 30, 2021

Cooperative Board

| | |
|--|-----------------|
| Baltic School District No. 49-1 | Chris Wilde |
| Chester Area School District No. 39-1 | Janet Park |
| Colman-Egan School District No. 50-5 | Kirsten Taggart |
| Dell Rapids School District No. 49-3 | Matt Weiland |
| Flandreau School District No. 50-3 | Tom Stenger |
| Garretson School District No. 49-4 | Ruth Sarar |
| Howard School District No.48-3 | Julie Schwader |
| Madison Central School District No. 39-2 | Lori Schultz |
| Rutland School District No. 39-4 | Justin Devaney |
| Tri-Valley School District No. 49-6 | Tom Van Asselt |

Director

Terry Stulken

Business Manager

Mitchell Brooks

PRAIRIE LAKES EDUCATIONAL COOPERATIVE
TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 3 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 9 |
| Statement of Activities | 10 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 11 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 12 |
| Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds | 13 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities | 14 |
| Notes to the Financial Statements | 15 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Budgetary Comparison Schedule - Budgetary Basis | |
| General Fund | 25 |
| Notes to Required Supplementary Information-Budgetary | 26 |
| Schedule of the Proportionate Share of the Net Pension Liability (Asset) | 27 |
| Schedule of the School District Contributions | 28 |
| Notes to Required Supplementary Information-Pension | 29 |
| 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> | 30 |
| Schedule of Audit Findings | 32 |
| Corrective Action Plan | 33 |

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prairie Lakes Educational Cooperative
Lake County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Prairie Lakes Educational Cooperative, Lake County, South Dakota, as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Cooperative's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cooperative's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Prairie Lakes Educational Cooperative as of June 30, 2021, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedule of Proportionate Share of the Net Pension Liability (Asset), Schedule of the School District's Contributions, and Budgetary Comparison Schedules, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such 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 the 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 the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is 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 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.

Quam, Berglin & Post P.C.

Quam, Berglin & Post, P.C.
Certified Public Accountants

March 1, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Prairie Lakes Educational Cooperative's annual financial report presents discussion and analysis of their financial performance during the fiscal year ended on June 30, 2021. Please read it in conjunction with Prairie Lakes Educational Cooperative's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- A decrease was seen in both revenues and expenditures during the fiscal year 2021.
- By the end of the fiscal year, net position decreased by \$15,748.13 mainly due to required changes in pension related purposes.
- Operating Grants only made up about 1% of the Cooperative's revenue. This is due to the State's changes with Perkins Grants.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of Prairie Lakes Educational Cooperative:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about Prairie Lakes Educational Cooperative's overall financial status.
- The remaining statements are fund financial statements that focus on individual programs, reporting operations in more detail than the government-wide statements.
- The governmental funds statements tell how general services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of these financial statements, including the portion of the Cooperative government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

| Major Features of Prairie Lakes Educational Cooperative's Government-wide and Fund Financial Statements | | |
|---|--|--|
| | Government-wide Statements | Fund Statements Governmental Funds |
| Scope | Entire Organization government (except fiduciary funds) | The activities of the Cooperative that are not proprietary or fiduciary, such as elementary and high school education programs. |
| Required Financial Statements | *Statement of Net Position *Statement of Activities | *Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of Asset/Liability Information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included |
| Type of Inflow/Outflow Information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter |

Government-wide Statements

The government-wide statements report information about Prairie Lakes Educational Cooperative as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report Prairie Lakes Educational Cooperative's net position and how it has changed. Net position – the difference between Prairie Lakes Educational Cooperative's assets and liabilities – is one way to measure Prairie Lakes Educational Cooperative's financial health or position.

- Increases or decreases in Prairie Lakes Educational Cooperative's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of Prairie Lakes Educational Cooperative you need to consider additional nonfinancial factors such as changes in programs and changes in funding.

The government-wide financial statements of Prairie Lakes Educational Cooperative are reported in one category:

- **Governmental Activities** - This category includes Prairie Lakes Educational Cooperative's basic instructional services, such as alternative education and support services (guidance, psychology, physical therapy, occupational therapy, improvement of instruction, administration, fiscal, and operation and maintenance of plant services). Tuition, contracts for services, state contracts and grants, federal grants and interest earnings finance these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about Prairie Lakes Educational Cooperative's general fund. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes. South Dakota State Law requires fund accounting.

Prairie Lakes Educational Cooperative has one kind of fund:

- **Governmental Funds** – All of Prairie Lakes Educational Cooperative's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance Prairie Lakes Educational Cooperative's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationships (or differences) between them.

FINANCIAL ANALYSIS OF PRAIRIE LAKES EDUCATIONAL COOPERATIVE AS A WHOLE Net Position

Prairie Lakes Educational Cooperative's combined statement of net position changed as follows:

TABLE A-1
PRAIRIE LAKES EDUCATIONAL COOPERATIVE
STATEMENT OF NET POSITION

| | Primary Government | | | |
|--|-------------------------|---------------------|---------------------|---------------------|
| | Governmental Activities | | Total | |
| | FY2020 | FY2021 | FY2020 | FY2021 |
| Current and Other Assets | \$ 112,245.12 | \$ 114,434.61 | \$112,245.12 | \$114,434.61 |
| Total Assets | 112,245.12 | 114,434.61 | 112,245.12 | 114,434.61 |
| Deferred Outflows of Resources | 56,031.02 | 70,280.06 | 56,031.02 | 70,280.06 |
| Other Liabilities | \$ 54,908.38 | \$ 53,484.24 | \$ 54,908.38 | \$ 53,484.24 |
| Total Liabilities | 54,908.38 | 53,484.24 | 54,908.38 | 53,484.24 |
| Deferred Inflows of Resources | 24,708.43 | 58,319.23 | 24,708.43 | 58,319.23 |
| Net Position: | | | | |
| SDRS Pension Fund | 32,413.02 | 12,395.65 | 32,413.02 | 12,395.65 |
| Unrestricted | 56,246.31 | 60,515.55 | 56,246.31 | 60,515.55 |
| Total Net Position | \$ 88,659.33 | \$ 72,911.20 | \$ 56,246.31 | \$ 72,911.20 |
| Increase (Decrease) in Net Position | (31,895.05) | (15,748.13) | (31,895.05) | (15,748.13) |
| Beginning Net Position | 120,554.38 | 88,659.33 | 120,554.38 | 88,659.33 |
| Ending Net Position | \$ 88,659.33 | \$ 72,911.20 | \$ 88,659.33 | \$ 72,911.20 |
| Percentage of Increase (Decrease) in Net Position | -26.46% | -17.76% | -26.46% | -17.76% |

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. No long-term liabilities of the Prairie Lakes Educational Cooperative have been reported. The difference between Prairie Lakes Educational Cooperative's assets and liabilities is its net position.

Changes in Net Position

Table A-2 considers the operations of the governmental and business-type activities.

TABLE A-2
PRAIRIE LAKES EDUCATIONAL COOPERATIVE
Changes in Net Position

| | <u>Total Governmental Activities</u> | | <u>Total</u> | |
|--|--------------------------------------|-----------------------|-----------------------|-----------------------|
| | FY2020 | FY2021 | FY2020 | FY2021 |
| Revenues | | | | |
| Program Revenues | | | | |
| Charges for Services | \$ 398,947.19 | \$ 399,519.10 | \$ 398,947.19 | \$ 399,519.10 |
| Operating Grants and Contributions | 66,166.00 | 4,250.00 | 66,166.00 | 4,250.00 |
| Other General Revenue | | 19.24 | | 19.24 |
| Total Revenues | <u>465,113.19</u> | <u>403,788.34</u> | <u>465,113.19</u> | <u>403,788.34</u> |
| Expenses | | | | |
| Support Services | <u>497,008.24</u> | <u>419,536.47</u> | <u>497,008.24</u> | <u>419,536.47</u> |
| Total Expenses | <u>497,008.24</u> | <u>419,536.47</u> | <u>497,008.24</u> | <u>419,536.47</u> |
| Increase (Decrease) in Net Position | <u>\$ (31,895.05)</u> | <u>\$ (15,748.13)</u> | <u>\$ (31,895.05)</u> | <u>\$ (15,748.13)</u> |
| NET POSITION - ENDING | <u>\$ 88,659.33</u> | <u>\$ 72,911.20</u> | <u>\$ 88,659.33</u> | <u>\$ 72,911.20</u> |

The Cooperative's revenues totaled \$403,788.34. (See Table A-2.) Approximately 1% of the Cooperative's revenue comes from restricted grants, with another 99% coming from charges for services. (See Figure A-3).

The total cost of all programs and services was \$419,536.47. The Cooperative's expenses cover support services. (See Figure A-4).

Figure A-3
**Prairie Lakes Educational Cooperative
Sources of Revenues for FY2021**

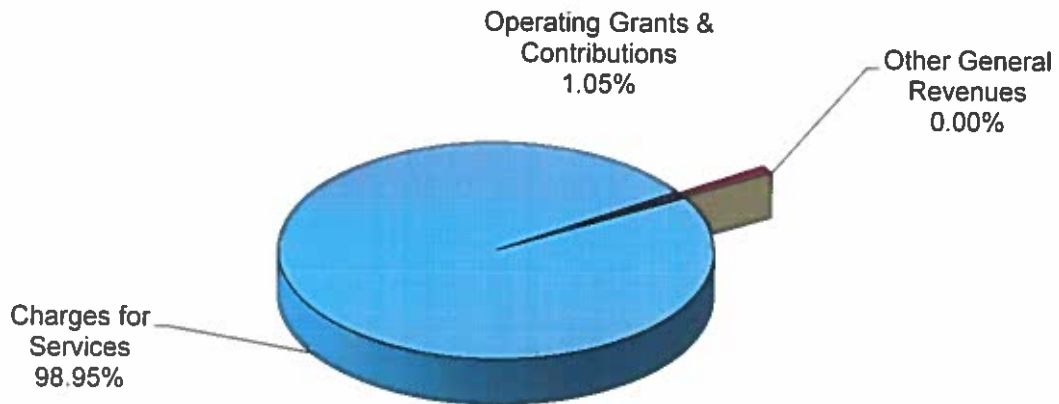
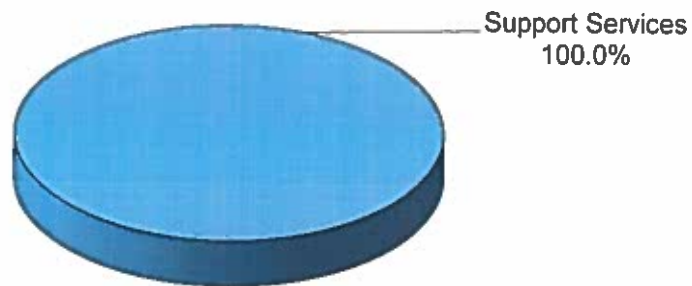


Figure A-4
**Prairie Lakes Educational Cooperative
Functional Expenses for FY2021**



FINANCIAL ANALYSIS OF PRAIRIE LAKES EDUCATIONAL COOPERATIVE'S FUNDS

The General Fund Balance remained close to level for the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Board did not supplement the budget. Revenues and Expenditures remained within acceptable levels of the original budget amounts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Prairie Lakes Educational Cooperative does not have the authority to tax or bond. Prairie Lakes Educational Cooperative is also not eligible for state aid with the current formula. Any changes to the overall budget for fiscal year 2022 will depend mostly upon the number of psychologist days the Cooperative provides to its member schools.

CONTACTING PRAIRIE LAKES EDUCATIONAL COOPERATIVE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of Prairie Lakes Educational Cooperative's finances and to demonstrate Prairie Lakes Educational Cooperative's accountability for the money it receives. If you have questions about this report or need additional information, contact Prairie Lakes Educational Cooperative's Business Office, 605-256-7710, 800 NE 9th Street, Madison, SD 57042.

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
STATEMENT OF NET POSITION
JUNE 30, 2021**

| | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
|--|---|
| ASSETS: | |
| Cash and Cash Equivalents | \$ 26,624.04 |
| Due from Other Governments | 87,375.75 |
| Net Pension Asset | <u>434.82</u> |
| TOTAL ASSETS | <u>114,434.61</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Pension Related Deferred Outflows | <u>70,280.06</u> |
| LIABILITIES : | |
| Accounts Payable | 3,138.02 |
| Accrued Wages & Benefits | <u>50,346.22</u> |
| TOTAL LIABILITIES | <u>53,484.24</u> |
| DEFERRED INFLOWS OF RESOURCES: | |
| Pension Related Deferred Inflows | <u>58,319.23</u> |
| NET POSITION: | |
| SDRS Pension Fund Restricted | 12,395.65 |
| Unrestricted | <u>60,515.55</u> |
| TOTAL NET POSITION | <u>\$ 72,911.20</u> |

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

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|-----------------|---------------------------------|---|--|
| | | Charges for Services | Operating Grants and Contributions | Total Governmental Activities |
| Primary Government: Governmental Activities: | | | | |
| Support Services | \$ 419,536.47 | \$ 399,519.10 | \$ 4,250.00 | \$ (15,767.37) |
| Total Governmental Activities | 419,536.47 | 399,519.10 | 4,250.00 | (15,767.37) |
| Total Primary Government | \$ 419,536.47 | \$ 399,519.10 | \$ 4,250.00 | (15,767.37) |
| General Revenues: | | | | |
| | | | | 19.24 |
| | | | | 19.24 |
| | | | | (15,748.13) |
| | | | | 88,659.33 |
| | | | | \$ 72,911.20 |

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

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

| | General Fund |
|--|--------------------------|
| ASSETS: | |
| Cash and Cash Equivalents | \$ 26,624.04 |
| Due from Other Governments | <u>87,375.75</u> |
| TOTAL ASSETS | <u>\$ 113,999.79</u> |
| LIABILITIES AND FUND BALANCES: | |
| Liabilities: | |
| Accounts Payable | \$ 3,138.02 |
| Contracts Payable | 42,759.20 |
| Payroll Deductions and Withholdings and Employer Matching Payable | <u>7,587.02</u> |
| Total Liabilities | <u>53,484.24</u> |
| Fund Balances: | |
| Unassigned | <u>60,515.55</u> |
| Total Fund Balances | <u>60,515.55</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 113,999.79</u> |

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

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

| | |
|--|---------------------|
| Total Fund Balances - Governmental Funds | \$ 60,515.55 |
| Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. | 434.82 |
| Pension related deferred outflows are components of pension asset and therefore are not reported in the funds. | <u>70,280.06</u> |
| Net Position - Governmental Funds | <u>\$ 72,911.20</u> |

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

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>General Fund</u> |
|--|-------------------------|
| Revenues: | |
| Other Revenue from Local Sources: | |
| Services Provided Other LEAs | \$ 399,519.10 |
| Other | 19.24 |
| Revenue from Federal Sources: | |
| Grants-in-Aid: | |
| Unrestricted from Federal Government Through the State | <u>4,250.00</u> |
| Total Revenue | <u>403,788.34</u> |
| Expenditures: | |
| Support Services: | |
| Pupils: | |
| Psychological | 335,707.75 |
| Support Services - General Administration: | |
| Executive Administration | <u>63,811.35</u> |
| Total Expenditures | <u>399,519.10</u> |
| Net Change in Fund Balance | 4,269.24 |
| Fund Balance - July 1, 2020 | <u>56,246.31</u> |
| FUND BALANCE - JUNE 30, 2021 | <u>\$ 60,515.55</u> |

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

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| | |
|---|-----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 4,269.24 |
| Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. | <u>(20,017.37)</u> |
| Change in Net Position of Governmental Activities | <u>\$ (15,748.13)</u> |

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

PRAIRIE LAKES EDUCATIONAL COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

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

The Prairie Lakes Educational Cooperative is a cooperative service unit (Co-op) of school districts established in 1993. The member school districts' equity interest in the joint venture is based on assessment ratios of full membership schools. The full member school districts' equity interest in the joint venture is as follows:

| | |
|--------------------------------------|--------|
| Baltic School District 49-1 | 8.00% |
| Chester School District 39-1 | 6.00% |
| Coleman-Egan School District 50-5 | 6.00% |
| Dell-Rapids School District 49-3 | 16.00% |
| Flandreau School District 50-3 | 16.00% |
| Garretson School District 49-4 | 7.00% |
| Howard School District 48-3 | 8.00% |
| Madison Central School District 39-2 | 15.00% |
| Rutland School District 39-4 | 3.00% |
| Tri-Valley School District 49-6 | 15.00% |

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

The funds included in this report are controlled by or dependent upon the Cooperative's board of directors.

The accounting policies of the Cooperative conform to generally accepted accounting principles.

The Cooperative contracted with Madison Central School District to provide fiscal management services beginning July 1, 2004. The services include payroll, accounts payable, assessment of member school districts for their cost share and preparation of financial statements.

On July 1, 2017, the Cooperative entered into an agreement to pay for support services from Madison Central School District. This agreement included payment of total annual fees of \$31,000 for office rent, secretarial support, and administration. The term of this contract will end June 30, 2022.

b. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Cooperative's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or 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 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 Cooperative or it meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and 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 and deferred outflows of resources, liabilities and 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.

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 school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and 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 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 does not exceed one bill-paying cycle, and for Prairie Lakes Educational Cooperative, the length of that cycle is 60 days. The revenues, which were accrued at June 30, 2021, 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.

d. Deposits and Investments

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

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

e. Program Revenues

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

1. Charges for services – These arise from charges to customers, 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.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

f. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in two components:

1. Restricted Net Position – Consists of net position with constraints placed on its 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.
2. Unrestricted Net Position – All other net position that does not meet the definition of "restricted."

Fund Financial Statements:

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

g. Application of Net Position:

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

h. 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. Fund Balance Classification Policies and Procedures:

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

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

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

The Cooperative has not adopted 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'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.

NOTE 2 – DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

Investments - In general, SDCL 4-5-6 permits cooperative funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. The cooperative does not maintain any investment accounts.

NOTE 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.

NOTE 4 – PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B 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 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. 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, 2021, 2020, and 2019 were \$13,589.60, \$13,183.96, and \$13,126.80, 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, 2020 SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Cooperative as of the measurement period ending June 30, 2020 and reported by the Cooperative as of June 30, 2021 are as follows:

| | |
|---|---------------------------|
| Proportionate share of net position restricted for pension benefits | \$ 1,230,774.68 |
| Less proportionate share of net pension restricted for pension benefits | <u>1,231,209.50</u> |
| Proportionate share of net pension liability (asset) | <u><u>\$ (434.82)</u></u> |

At June 30, 2021, the Cooperative reported a liability (asset) of \$(434.82) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Cooperative share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Cooperative's proportion was .010001200%, which is an increase (decrease) of -0.0002777% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Cooperative recognized pension expense (reduction of pension expense) of \$20,017.37. At June 30, 2021 the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 1,663.42 | \$ 340.63 |
| Changes in Assumption | 14,005.86 | 56,486.46 |
| Net Difference between projected and actual earnings on pension plan investments | 40,414.32 | |
| Changes in proportion and difference between district contributions and proportionate share of contributions | 606.86 | 1,492.14 |
| District contributions subsequent to the measurement date. | <u>13,589.60</u> | |
| TOTAL | <u><u>\$ 70,280.06</u></u> | <u><u>\$ 58,319.23</u></u> |

\$13,589.60 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 (asset) in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

| Year Ended June 30: | |
|---------------------|---------------------------|
| 2022 | \$ (5,019.02) |
| 2023 | (3,870.04) |
| 2024 | 611.26 |
| 2025 | <u>7,534.31</u> |
| TOTAL | <u><u>\$ (743.49)</u></u> |

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 2.25 percent |
| Salary Increases | 6.50% at entry to 3.00% after 25 years of service |
| Discount Rate | 6.50% net of plan investment expense |
| Future COLAs | 1.41% |

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, 2020 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. 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, 2020 (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% | 5.1% |
| Fixed Income | 30.0% | 1.5% |
| Real Estate | 10.0% | 6.2% |
| Cash | <u>2.0%</u> | <u>1.0%</u> |
| TOTAL | <u>100.0%</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 employee 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).

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 lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|------------------------|--------------------------------------|------------------------|
| School District's proportionate share of the net pension liability (asset) | \$ 168,681.03 | \$ (434.82) | \$ (138,768.25) |

Pension Plan Fiduciary Net Position:

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

NOTE 5 – RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2021, the Cooperative managed its risks as follows:

Employee Health Insurance

The Cooperative provides health insurance through Madison Central Cooperative's self-funded plan and through a commercial insurance carrier for claims over \$40,000.

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.

Worker's 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, 2021, no claims for unemployment benefits were paid. At June 30, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 6 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2021 the Cooperative was not involved in any litigation.

**REQUIRED SUPPLEMENTARY INFORMATION
PRAIRIE LAKES EDUCATIONAL COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|---|----------------------------|----------------------------|---|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Other Revenue from Local Sources: | | | | |
| Services Provided Other LEAs | \$420,326.00 | \$420,326.00 | \$399,519.10 | \$(20,806.90) |
| Other | | | 19.24 | 19.24 |
| Unrestricted Grants-in-Aid from Federal Government through State | | | <u>4,250.00</u> | <u>4,250.00</u> |
| Total Revenue | <u>420,326.00</u> | <u>420,326.00</u> | <u>403,788.34</u> | <u>(16,537.66)</u> |
| Expenditures: | | | | |
| Support Services: | | | | |
| Pupils: | | | | |
| Psychological | 349,136.00 | 349,136.00 | 335,707.75 | 13,428.25 |
| Support Services - General Administration: | | | | |
| Executive Administration | 63,440.00 | 63,440.00 | 63,811.35 | (371.35) |
| Support Services - Business: | | | | |
| Receiving/Disbursing Funds Services | 4,250.00 | 4,250.00 | | 4,250.00 |
| Contingency | <u>3,500.00</u> | <u>3,500.00</u> | | <u>3,500.00</u> |
| Total Expenditures | <u>420,326.00</u> | <u>420,326.00</u> | <u>399,519.10</u> | <u>20,806.90</u> |
| Change in Fund Balance | 0.00 | 0.00 | 4,269.24 | 4,269.24 |
| Fund Balance - July 1, 2020 | <u>56,246.31</u> | <u>56,246.31</u> | <u>56,246.31</u> | |
| FUND BALANCE - JUNE 30, 2021 | <u>\$ 56,246.31</u> | <u>\$ 56,246.31</u> | <u>\$ 60,515.55</u> | <u>\$ 4,269.24</u> |

PRAIRIE LAKES EDUCATIONAL COOPERATIVE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Budgetary Comparison for the General Fund with a legally required budget.

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated 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 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 moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund.
11. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Schedule of Required Supplementary Information
PRAIRIE LAKES EDUCATIONAL COOPERATIVE

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

South Dakota Retirement System

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-------------|-------------|------------|------------|------------|------------|------------|
| District's proportion of the net pension liability (asset) | 0.0118001% | 0.0109446% | 0.0100925% | 0.0096196% | 0.0101504% | 0.0102897% | 0.0100120% |
| District's proportionate share of net pension liability (asset) | \$ (85,015) | \$ (46,419) | \$ 34,091 | \$ (873) | \$ (237) | \$ (1,090) | \$ (435) |
| District's covered-employee payroll | 206,348 | 199,819 | 191,907 | 195,449 | 211,022 | 218,779 | 219,732 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -41.20% | -23.23% | 17.76% | -0.45% | -0.11% | -0.50% | -0.20% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 107.3% | 104.1% | 96.89% | 100.10% | 100.02% | 100.09% | 100.04% |

* 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. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Required Supplementary Information
PRAIRIE LAKES EDUCATIONAL COOPERATIVE
SCHEDULE OF THE COOPERATIVE CONTRIBUTIONS

South Dakota Retirement System

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 12,381 | \$ 11,989 | \$ 11,515 | \$ 11,727 | \$ 12,661 | \$ 13,127 | \$ 13,184 | \$ 13,590 |
| Contributions in relation to the contractually required contribution | \$ 12,381 | \$ 11,989 | \$ 11,515 | \$ 11,727 | \$ 12,661 | \$ 13,127 | \$ 13,184 | \$ 13,590 |
| Contribution deficiency (excess) | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| District's covered-employee payroll | \$ 206,348 | \$ 199,819 | \$ 191,907 | \$ 195,449 | \$ 211,022 | \$ 218,779 | \$ 219,732 | \$ 226,494 |
| Contributions as a percentage of covered-employee payroll | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

PRAIRIE LAKES EDUCATIONAL COOPERATIVE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Contributions

Changes from Prior Valuation

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

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 0.5% 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, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% 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 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.

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

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
Prairie Lakes Educational Cooperative
Lake County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Prairie Lakes Educational Cooperative, Lake County, South Dakota, as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated March 1, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Cooperative's Response to Findings

The Cooperative's response to the finding identified in our audit is described in the Corrective Action Plan found in the Table of Contents. 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 Cooperative's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam, Berglin & Post, P.C.
Certified Public Accountants
Elk Point, SD

March 1, 2022

**PRAIRIE LAKES EDUCATIONAL COOPERATIVE
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2021**

PRIOR AUDIT FINDING:

Audit Finding Number 2020-001:

A significant deficiency was reported for a lack of segregation of duties. This comment results from the size of the cooperative, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is restated under current audit finding number 2021-001.

Audit Finding Number 2020-002:

A significant deficiency was reported for the late publications of the unapproved minutes. This finding has been corrected.

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings-Significant Deficiency:

Audit Finding Number 2021-001:

There is a significant deficiency resulting from the lack of segregation of duties for revenues.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of tasks. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

We recommend that Prairie Lakes Educational Cooperative officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls whenever and wherever practical.

Corrective Action Plan:

Mitchell Brooks, Business Manager for Prairie Lakes Educational Cooperative, is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Board of Directors has prepared a response to this finding found on the following page.

Prairie Lakes Educational Cooperative
Business Office
800 NE 9th Street
Madison, SD 57042

Mitchell Brooks, Business Manager
mitchell.o.brooks@k12.sd.us

Phone: 605-256-7710
Fax: 605-256-7711

CORRECTIVE PLAN OF ACTION
6/30/21

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

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



Business Manager



Director