

Southeast Area Cooperative

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

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

Southeast Area Cooperative

Cooperative Officials

June 30, 2023

Board Members:

Faydra Christensen ----- Board President
Sabrina Saylor-----Vice President
Dan Erickson----- Member
Jessy Paulson ----- Member
Brian Spurrell ----- Member
Robin Kapperman----- Member

Tricia West -----Director

Ann Boden -----Business Manager

Southeast Area Cooperative

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Cooperative Board
Southeast Area Cooperative
Beresford, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Area Cooperative, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Southeast Area Cooperative basic financial statements and have issued our report thereon dated November 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeast Area 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 Southeast Area Cooperative’s internal control. Accordingly, we do not express an opinion on the effectiveness of Southeast Area Cooperative’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Area 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 Southeast Area Cooperative's response to the findings identified in our audit. The Cooperative's response to the findings identified in our audit are described in the accompanying schedule of current audit findings and questioned costs. Southeast Area Cooperative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Handwritten signature in cursive script that reads "Elk Point LLC".

Elk Point, South Dakota
November 16, 2023



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

To the Cooperative Board
Southeast Area Cooperative
Beresford, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southeast Area Cooperative’s, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Southeast Area Cooperative’s major federal programs for the year ended June 30, 2023. Southeast Area Cooperative’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Southeast Area Cooperative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Cooperative and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Elk Point LLC".

Elk Point, South Dakota
November 16, 2023

Southeast Area Cooperative
Schedule of Prior Audit Findings and Costs
For the Year Ended June 30, 2023

Findings-Financial Statement Audit

Material Weakness

Finding 2022-001 - Lack of Segregation of Duties:

A material weakness in internal control was reported for a lack of segregation of duties for revenues and expenditures. This comment results from the size of the entity, which precludes staffing at a level sufficient to provide an ideal environment for internal control.

This prior audit comment has not been corrected and is being restated under the current audit findings as finding number 2023-001.

Southeast Area Cooperative
 Schedule of Current Audit Findings and Questioned Costs
 For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: x Yes None reported

Significant deficiencies identified not considered to be material weaknesses: Yes x None reported

Noncompliance material to financial statements noted? Yes x No

Federal Awards:

Internal control over major program:

Material weakness identified: Yes x None reported

Significant deficiencies identified not considered to be material weaknesses: Yes x None reported

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

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

Identification of major program:

CFDA Number	Name of Federal Program
84.027/84.173	IDEA Special Education Cluster

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

Auditee qualified as low-risk auditee? x Yes No

Southeast Area Cooperative
Schedule of Current Audit Findings and Questioned Costs
For the Year Ended June 30, 2023 (Continued)

Section II - Financial Statement Findings

Finding Number 2023-001 - Internal Control Finding

Material Weakness

There is a material weakness resulting from lack of segregation of duties.

Condition, Cause and Effect: The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Criteria: In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to internal controls. 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.

Recommendation: We recommend that cooperative officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever and wherever possible and practical.

Views of Responsible Officials: The Cooperative agrees with this finding and is willing to accept the risk. Due to the small size of the cooperative, it is not cost beneficial to employ additional personnel to adequately segregate the duties above. The Cooperative will continue to regularly provide compensating controls processes.

Repeat Finding from Prior Years: Yes

Section III - Federal Award Findings and Questioned Costs

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

Southeast Area Cooperative

*Office of the Business Manager
Phone: 605-763-5096*

*1109 W. Cedar
Beresford, SD 57004*

Corrective Action Plan (Unaudited)

Southeast Area Cooperative, respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

ELO Prof. LLC
1101 W. Main
Elk Point, SD 57025

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

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



Independent Auditor's Report

To the Cooperative Board
Southeast Area Cooperative
Beresford, 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 Southeast Area 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 as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, Schedule of the Cooperative's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of Cooperative's Contributions (SDRS) 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cooperative's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, on our consideration of Southeast Area Cooperative internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southeast Area Cooperative's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Elk Point LLC".

Elk Point, South Dakota
November 16, 2023

Southeast Area Cooperative
Management Discussion and Analysis (MD&A)
June 30, 2023

This section of Southeast Area Cooperative's annual financial report presents discussion and analysis of Southeast Area Cooperative's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with Southeast Area Cooperative's financial statements, which follow this section.

Financial Highlights

Administration continues to monitor the finances of the Cooperative, taking revenues and expenditures into consideration, while maintaining a balanced budget.

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 Southeast Area Cooperative:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about Southeast Area 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.
 - Southeast Area Cooperative does not maintain Proprietary or Fiduciary Funds.
 - The governmental funds statements tell how general services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that a school operates like businesses. Southeast Area Cooperative doesn't operate any proprietary funds.
 - Fiduciary fund statements provide information about the financial relationships, like scholarships for graduating students, in which the Cooperative would act solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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.

Southeast Area Cooperative
Management Discussion and Analysis (MD&A)
June 30, 2023

Figure A-1 summarizes the major features of these financial statements, including the portion of the school 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 Southeast Area Coops's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as instruction and support services.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic 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.	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can.
Type of Inflow/Outflow Information	All revenues and expenses during the 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.	All revenues and expenses during the year, regardless of when cash is received or paid.

Government-Wide Statements

The government-wide statements report information about Southeast Area 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.

Southeast Area Cooperative
Management Discussion and Analysis (MD&A)
June 30, 2023

The two government-wide statements report Southeast Area Cooperative's net position and how they have changed. Net position – the difference between Southeast Area Cooperative's assets and liabilities – is one way to measure Southeast Area Cooperative's financial health or position.

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

The government-wide financial statements of Southeast Area Cooperative are reported into one category:

- **Governmental Activities** - This category includes Southeast Area Cooperative's basic instructional services, such as alternative education and support services (guidance, psychology, physical therapy, occupational therapy, improvement of instruction, administration, fiscal, 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 Southeast Area 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.

Southeast Area Cooperative has two kinds of funds:

- **Governmental Funds** – All of Southeast Area 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance Southeast Area 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 funds statements, or on the subsequent page, that explains the relationships (or differences) between them.
- **Fiduciary Funds** - The Cooperative is the trustee, or fiduciary, for various external parties. The Cooperative is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Cooperative's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the Cooperative's government-wide financial statements because the Cooperative cannot use these assets to finance its operations.

Southeast Area Cooperative
Management Discussion and Analysis (MD&A)
June 30, 2023

Financial Analysis of the School as a Whole

Net Position

Southeast Area Cooperative’s combined statement of net position changed as follows:

Table A-1
SOUTHEAST AREA COOP
Statement of Net Position

	Governmental Activities		Total Percentage Change
	2022	2023	2022 - 2023
Current and Other Assets	\$ 1,102,076	\$ 1,206,057	9.44%
Capital Assets (Net of Depreciation)	74,216	75,121	1.22%
Net Pension Asset	403,163	5,040	-98.75%
Total Assets	1,579,455	1,286,218	-18.57%
Pension Related Deferred Outflows	556,206	496,399	-10.75%
Total Deferred Outflows or Resources	556,206	496,399	-10.75%
Long-Term Liabilities Outstanding	33,969	33,247	-2.13%
Other Liabilities	188,798	178,621	-5.39%
Total Liabilities	222,767	211,868	-4.89%
Pension Related Deferred Inflows	782,228	295,154	100.00%
Total Deferred Inflows of Resources	782,228	295,154	-62.27%
Net Investment in Capital Assets	74,216	75,121	1.22%
Restricted	197,254	206,285	4.58%
Unrestricted	859,196	994,189	15.71%
Total Net Position	1,130,666	1,275,595	12.82%
Beginning Net Position	796,760	1,130,666	41.91%
Increase (Decrease) in Net Position	\$ 333,906	\$ 144,929	-56.60%
Percentage of Increase (Decrease) in Net Position	41.91%	12.82%	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The long-term liabilities of Southeast Area Cooperative, consisting of accrued annual leave, have been reported in this same manner on the Statement of Net Position. The difference between Southeast Area Cooperative’s assets and liabilities is its net position.

Southeast Area Cooperative
Management Discussion and Analysis (MD&A)
June 30, 2023

Changes in Net Position

The Cooperative's revenues totaled \$2,376,982. (See Table A-4.) Approximately 50% of the Cooperative's revenue comes from restricted grants, with another approximately 38% coming from charges for services. (See Table A-2).

Table A-2
SOUTHEAST AREA COOP
Sources of Revenues
Fiscal Year 2022 - 2023

Operating Grants & Contributions	\$ 1,195,198	50.28%
Charges for Services	898,191	37.79%
Unrestricted Investment Earnings	6,765	0.28%
Other Revenues	<u>276,828</u>	<u>11.65%</u>
Total Revenue	<u><u>\$ 2,376,982</u></u>	<u><u>100.00%</u></u>

The Cooperative's expenses totaled \$2,232,053 (see Table A-4) and covered a range of services, encompassing instruction and support services (see Table A-2).

Table A-3
SOUTHEAST AREA COOP
Statement of Expenditures
Fiscal Year 2022 - 2023

Instruction	\$ 265,404	11.89%
Support Services	<u>1,966,649</u>	<u>88.11%</u>
Total Expenditures	<u><u>\$ 2,232,053</u></u>	<u><u>100.00%</u></u>

Southeast Area Cooperative
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

Table A-4 considers the operations of the governmental activities of the Cooperative:

Table A-4
SOUTHEAST AREA COOP
Changes in Net Position

	<u>Government Activities</u>		Total Percentage Change
	<u>2022</u>	<u>2023</u>	<u>2022 - 2023</u>
Revenues			
Program Revenues			
Charge for Services	\$ 817,736	\$ 898,191	9.84%
Operating Grants/ Contributions	1,327,401	1,195,198	-9.96%
General Revenues			
Other			
Other general revenues	212,117	276,828	30.51%
Unrestricted Investment Earnings	479	6,765	1312.32%
	<u>2,357,733</u>	<u>2,376,982</u>	<u>0.82%</u>
Expenses			
Instruction	246,675	265,404	7.59%
Support Services	1,777,152	1,966,649	10.66%
	<u>2,023,827</u>	<u>2,232,053</u>	<u>10.29%</u>
Increase (Decrease) in Net Position	333,906	144,929	-56.60%
Beginning Net Position	<u>796,760</u>	<u>1,130,666</u>	<u>41.91%</u>
Ending Net Position	<u>\$ 1,130,666</u>	<u>\$ 1,275,595</u>	<u>12.82%</u>

Financial Analysis of Southeast Area Cooperative Funds

The General Fund showed an increase of \$114,158 for the year.

Southeast Area Cooperative
Management Discussion and Analysis (MD&A)
June 30, 2023

Budgetary Highlights

Over the course of the year, the Board adjusted the budget. These adjustments fall into two categories:

- Supplemental appropriations and transfers to provide for items necessary for the programs of the Cooperative
- To properly account for expenditures/revenues for federal funds

Capital Asset Administration

By the end of 2023, Southeast Area Cooperative had invested \$75,121 (net of depreciation) in capital assets, including land and other capital assets. (See Table A-3.) Capital assets increased in value by approximately \$905.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Total Dollar Change	Total % Change
	2022	2023		
Land	\$ 15,633	\$ 15,633	\$ --	0.00%
Buildings	21,070	20,067	(1,003)	-4.76%
Machinery & Equipment	37,513	39,421	1,908	5.09%
Total Capital Assets	\$ 74,216	\$ 75,121	\$ 905	1.22%

The Cooperative currently has twelve vehicles in its fleet. As vehicles age, useful life will be determined and if needed, they will be surplus and sold or traded. Administration reviews vehicle usage to determine if changes need to be made to the size of the fleet and has a plan to replace vehicles in a timely and responsible manner. Funds for the replacement of vehicles will come from the general fund budget.

Southeast Area Cooperative
Management Discussion and Analysis (MD&A)
June 30, 2023

Long Term Debt

At this time, the long-term debt obligations for Southeast Area Cooperative are as shown for the accrued vacation leave payable to key personnel.

Table A-6
Outstanding Debt and Obligations

	<u>Governmental Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2022</u>	<u>2023</u>		
Compensated Absences	\$ 33,970	\$ 33,247	\$ (723)	-2.13%
Total Outstanding Debt	<u>\$ 33,970</u>	<u>\$ 33,247</u>	<u>\$ (723)</u>	<u>-2.13%</u>

Economic Factors and Next Year’s Budgets and Rates

Southeast Area Cooperative does not have the authority to tax or bond and is not eligible for state aid with the current formula. Maintaining high quality services to the members is of utmost importance. Administration will continue to work within the budget to provide those services.

Contacting Southeast Area Cooperative’s Financial Management

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of Southeast Area Cooperative’s finances and to demonstrate Southeast Area Cooperative’s accountability for the money it receives. If you have questions about this report or need additional information, contact Southeast Area Cooperative’s Business Office, 605-763-5096, 1109 W. Cedar, Beresford, SD 57004.

Southeast Area Cooperative
Statement of Net Position – Government-Wide
June 30, 2023

	Primary Government
	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 900,231
Investments - Certificates of Deposit	23,548
Accounts receivable	1,750
Due from other governments	280,528
Pension asset	5,040
Capital assets:	
Land	15,633
Other capital assets, net of depreciation	59,488
Total Assets	1,286,218
Deferred Outflows of Resources:	
Pension-related deferred outflows	496,399
Liabilities:	
Accounts payable	14,246
Accrued Wages and Benefits Payable	164,375
Long-term liabilities:	
Due within one year	8,312
Due in more than one year	24,935
Total Liabilities	211,868
Deferred Inflows of Resources:	
Pension related deferred inflows	295,154
Total Deferred Inflows of Resources	295,154
Net Position:	
Net investment in capital assets	75,121
Restricted for:	
SDRS pension purposes	206,285
Unrestricted	994,189
Total Net Position	\$ 1,275,595

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

Southeast Area Cooperative
Statement of Activities – Government-Wide
June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	\$ 265,404	\$ --	\$ --	\$ (265,404)
Support services	1,966,649	898,191	1,195,198	126,740
	<u>\$ 2,232,053</u>	<u>\$ 898,191</u>	<u>\$ 1,195,198</u>	<u>(138,664)</u>
		General Revenues:		
				6,765
				276,828
			Total General Revenues	<u>283,593</u>
			Change in Net Position	144,929
			Net Position - Beginning of year	<u>1,130,666</u>
			Net Position - End of Year	<u>\$ 1,275,595</u>

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

Southeast Area Cooperative
 Balance Sheet – Governmental Funds
 June 30, 2023

	General
Assets:	
Cash and cash equivalents	\$ 900,231
Investments - certificates of deposit	23,548
Accounts receivable	1,750
Due from other governments	280,528
Total Assets	\$ 1,206,057
 Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 14,246
Contracts payable	132,124
Payroll deductions and withholding and employer matching payable	32,251
Total Liabilities	178,621
 Fund Balances:	
Assigned:	
Unemployment	22,817
Capital assets	46,163
Unassigned	958,456
Total Fund Balances	1,027,436
Total Liabilities and Fund Balances	\$ 1,206,057

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

Southeast Area Cooperative

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2023

Total Fund Balances - Governmental Funds \$ 1,027,436

Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 5,040

Accrued leave payable is not due and payable in the current period and therefore is not reported in the funds. (33,247)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of these assets, net of depreciation, is: 75,121

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 496,399

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (295,154)

Net Position - Governmental Activities \$ 1,275,595

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

Southeast Area Cooperative

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds June 30, 2023

	General
Revenues	
Revenue from Local Sources:	
Earnings on Investment and Deposits:	\$ 6,765
Other Revenue from Local Sources:	
Services Provided to Other LEAs	898,191
Other	276,828
Revenue from Federal Sources:	
Grants-in-Aid:	
Restricted grants-in-aid received from federal government through the state	1,195,198
Total Revenues	2,376,982
 Expenditures	
Instructional Services:	
Special Programs:	
Programs for Special Education:	275,593
Support Services:	
Students:	
Guidance	48,580
Psychological	351,533
Speech pathology	457,109
Student therapy services	245,567
Instructional Staff:	
Improvement of instruction	8,321
Educational media	61,700
General Administration:	
Board of education	11,980
Executive administration	138,941
School Administration:	
Other	200,209
Business:	
Fiscal services	141,830
Operation and maintenance of plant	58,645
Internal services	242,957
Capital Outlay	19,859
Total Expenditures	2,262,824
Net Change in Fund Balances	114,158
Fund Balance, Beginning of Year	913,278
Fund Balance, End of Year	\$ 1,027,436

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

Southeast Area Cooperative

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 114,158

Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital outlays which are reported as expenditures on the fund financial statements but the costs of the assets are allocated over their estimated useful lives. 19,859

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (18,954)

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 fund. This is the change in compensated payable. 723

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 29,143

Change in net position of governmental activities \$ 144,929

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

Southeast Area Cooperative
Statement of Net Position – Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
Assets:	
Cash and cash equivalents	\$ 2,024
Total Assets	<u>2,024</u>
Total Net Position	<u>\$ 2,024</u>

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

Southeast Area Cooperative
Changes in Net Position – Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
Additions:	
Flex Revenues	\$ 5,592
Total Additions	<u>5,592</u>
Deductions:	
Flex Expenses	<u>6,089</u>
Total Deductions	<u>6,089</u>
Change in Net Position	<u>(497)</u>
Net Position - Beginning	<u>2,521</u>
Net Position - Ending	<u>\$ 2,024</u>

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

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

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. Reporting Entity:

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

The Cooperative is a cooperative service unit (Co-op) formed for the purpose of providing special education and other services to member cooperatives that would not be able to provide these services as effectively or as economically on their own.

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

<u>School District</u>	<u>%</u>
Alcester-Hudson	10.13%
Beresford	21.61%
Canton	26.67%
Elk Point-Jefferson	20.99%
Irene-Wakonda	8.54%
Viborg-Hurley	12.05%

The governing board is composed of one 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 superintendents from each member school district serve on an advisory board.

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 policies.

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the Cooperative as a whole. These statements include the financial activities of the overall government except for the fiduciary funds. These statements distinguish between the governmental activities of the Cooperative. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues, and expenditures. Funds are organized into one major categories: governmental. Major individual governmental funds are reported in separate columns. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is a primary operating fund of the Cooperative or if it meets the following criteria:

1. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

3. Management has elected to classify one or more governmental funds as major for consistency in reporting from year to year or because of public interest in the fund's operations.

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

Governmental Funds:

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

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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 Southeast Area Cooperative, the length of that cycle is 60 days. The revenues which were accrued at June 30, 2023 are amounts due from other governments.

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

All proprietary fund and 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 and Investments:

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

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

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

e. Capital Assets:

Capital assets include land, buildings, improvements, equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The accounting treatment of capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

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

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

The balance of capital assets as of June 30, 2023 for governmental activities is valued at original cost.

Depreciation 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, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All	NA	NA
Buildings	\$ 25,000	Straight-line	50 years
Machinery and Equipment	5,000	Straight-line	2-20 years

*Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are reported in the governmental fund operations or proprietary fund operations, and whether they are reported in the government-wide or fund financial statements.

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

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

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. Program revenues are classified into three categories, as follows:

Charges for Services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

Program-specific operating grants and contributions– These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the use in a particular program.

Program-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.

h. Deferred Outflows/Inflows 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 applied to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish 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 Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Cooperative classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purpose which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

i. Pensions:

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

2. Deposits and Investments:

The Cooperative follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. 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.

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

2. Deposits and Investments: (Continued):

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund of the fund making the investment. The Cooperative’s policy is to credit all income from investments to the General Fund. The Cooperative also reports deposits at cost plus interest and credits all income from deposits to the General Fund.

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) 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.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Cooperative’s deposits may not be returned to it. The Cooperative does not have a deposit policy for custodial credit risk. As of June 30, 2023, the Cooperative’s deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralize by pledged securities.

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.

Concentrations of Credit Risk – The Cooperative places no limit on the amount that may be deposited with any one financial institution or invested with 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.

3. Receivables and Payables:

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

4. Inventory:

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

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

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

4. Inventory: (Continued)

In the governmental fund financial statements, inventories in the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. No material inventories were on hand as of June 30, 2023 in the governmental fund.

5. Changes in Capital Assets:

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

	<u>Balance</u> <u>6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2023</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,633	\$ --	\$ --	\$ 15,633
Total capital assets not being depreciated	<u>15,633</u>	<u>--</u>	<u>--</u>	<u>15,633</u>
Capital assets being depreciated:				
Buildings	50,167	--	--	50,167
Machinery and Equipment	194,257	19,859	37,700	176,416
Total capital assets being depreciated	<u>244,424</u>	<u>19,859</u>	<u>37,700</u>	<u>226,583</u>
Less accumulated depreciation for:				
Buildings	29,097	1,003	--	30,100
Machinery and Equipment	156,744	17,951	37,700	136,995
Total accumulated depreciation	<u>185,841</u>	<u>18,954</u>	<u>37,700</u>	<u>167,095</u>
Total capital assets being depreciated, net	<u>58,583</u>	<u>905</u>	<u>--</u>	<u>59,488</u>
Net Capital Assets	<u>\$ 74,216</u>	<u>\$ 905</u>	<u>\$ --</u>	<u>\$ 75,121</u>

Depreciation/Amortization expense was charged to governmental functions as follows:

Governmental activities:	
Guidance	<u>\$ 18,954</u>
Total Depreciation Expense	<u>\$ 18,954</u>

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

6. Long-Term Liabilities:

A summary of changes in long-term liabilities, for the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2023</u>	<u>Amounts Due</u> <u>Within 1 Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 33,970	\$ 24,033	\$ 24,756	\$ 33,247	\$ 8,312

Compensated absences for governmental activities typically have been liquidated from the General Fund.

7. Restricted Net Position:

The following table shows the components of restricted net position as presented on the Statement of Net Position:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
SDRS Pension Purposes	Law	\$ 206,285
Total		\$ 206,285

8. Pension Plan:

Plan Information:

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

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.

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

8. Pension Plan: (Continued)

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 retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

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

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

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

8. Pension Plan: (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% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Cooperative's share of contributions to the SDRS for the years ended June 30 2023, 2022, and 2021 were as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2023	\$ 79,747
2022	76,399
2021	71,257

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 the South Dakota Retirement System, for the Cooperative as of the measurement period ending June 30, 2022 and reported by the Cooperative as of June 30, 2023 are as follows:

Proportionate share of pension liability	\$ 7,527,687
Less proportionate share of net pension restricted for pension benefits	<u>7,532,727</u>
Proportionate share of net pension (asset)	<u><u>\$ (5,040)</u></u>

At June 30, 2023, the Cooperative reported an (asset) of (\$5,040) for its proportionate share of the net pension (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Cooperative's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Cooperative's proportion was 0.05332500%, which is an increase of 0.0001202% from its proportion measured as of June 30, 2021.

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

8. Pension Plan: (Continued)

For the year ended June 30, 2023, the Cooperative recognized a reduction of pension expense of \$29,143. 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	\$ 95,932	\$ 327
Changes in assumption	320,298	280,699
Net difference between projected and actual earnings on pension plan investments	--	12,077
Changes in proportion and difference between School District contributions and proportionate share of contributions	422	2,051
School District contributions subsequent to the measurement date	79,747	--
Total	\$ 496,399	\$ 295,154

\$79,747 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 revenue as follows:

Year Ended June 30,	Amount
2024	\$ 32,104
2025	69,788
2026	(80,120)
2027	99,726
Total	\$ 121,498

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, 7.66% at entry to 3.15% after 25 years of service
Discount	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%

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

8. Pension Plan: (Continued)

Mortality Rates:

All mortality rates based on the 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 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.

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

8. Pension Plan: (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:

Asset Class	Target Allocation	Expected Real Rate of Return
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100.0%	2.70%

Discount Rate:

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability (asset)	\$ 1,046,416	\$ (5,040)	\$ (864,356)

Pension Plan Fiduciary Net Position:

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

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

9. 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, 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 local government entities. The cooperative pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members.

The coverage includes the option of three different plans with a deductible from \$2,000.00 to \$4,000.00.

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

Liability Insurance:

The Cooperative purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public 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 insurance 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.

The Cooperative has assigned fund balance in the amount of \$22,817 in the General Fund for the payment of future 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.

10. Significant Contingencies – Litigation:

At June 30, 2023, the School District was no involved in any litigation.

Southeast Area Cooperative
Notes to the Financial Statements
June 30, 2023

11. Subsequent Events:

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued

Required Supplementary Information

Southeast Area Cooperative
Required Supplementary Information –
Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Earnings on Investments and Deposits	\$ 500	\$ 500	\$ 6,765	\$ 6,265
Other Revenue from Local Sources:				
Services Provided to Other LEAs	913,693	913,693	898,191	(15,502)
Refund of prior years' expenses	74,988	74,988	--	(74,988)
Other	304,950	304,950	276,828	(28,122)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	1,208,112	1,208,112	1,195,198	(12,914)
Total Revenues	<u>\$ 2,502,243</u>	<u>\$ 2,502,243</u>	<u>\$ 2,376,982</u>	<u>\$ (125,261)</u>
Expenditures:				
Instructional Services:				
Special Programs:				
Programs for special education	\$ 341,188	\$ 341,188	\$ 275,593	\$ 65,595
Support Services:				
Students:				
Guidance	47,392	47,392	48,580	(1,188)
Psychological	386,796	386,796	351,533	35,263
Speech pathology	525,187	525,187	457,109	68,078
Student therapy services	253,878	253,878	245,567	8,311
Support Services - Instructional Staff:				
Improvement of instruction	27,400	27,400	8,321	19,079
Educational media	56,200	62,200	61,700	500
Support Services - General Administration:				
Board of education	10,480	12,880	11,980	900
Executive administration	142,068	142,068	138,941	3,127
Support Services - School Administration:				
Other	217,931	217,931	200,209	17,722
Support Services - Business:				
Fiscal services	149,546	149,546	141,830	7,716
Operation and maintenance of plant	94,677	94,677	78,504	16,173
Internal Services	245,000	245,000	242,957	2,043
Contingencies	4,500	2,100	--	2,100
Total Expenditures	<u>2,502,243</u>	<u>2,508,243</u>	<u>2,262,824</u>	<u>245,419</u>
Net Change in Fund Balances	--	(6,000)	114,158	120,158
Fund Balance, Beginning of Year	<u>913,278</u>	<u>913,278</u>	<u>913,278</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 913,278</u>	<u>\$ 907,278</u>	<u>\$ 1,027,436</u>	<u>\$ 120,158</u>

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

Southeast Area Cooperative
Notes To The Required Supplementary Information
June 30, 2023

Note 1: – Budgets And Budgetary Accounting

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

1. Prior to the first regular board meeting in May of each year, the Cooperative 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 Cooperative 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 Cooperative Board must approve the budget for the ensuing fiscal year for each fund, except Fiduciary funds.
6. After adoption by the Cooperative Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in 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 Cooperative Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the Cooperative Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2: – Basis of Presentation

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present capital outlay expenditures as a separate function.

Southeast Area Cooperative
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0533250%	0.0526440%	0.0532048%	0.0538805%	0.0518510%	0.0538055%	0.0606193%	0.0598286%	0.0595132%
District's proportionate share of net pension liability (asset)	\$ (5,040)	\$ (403,163)	\$ (2,311)	\$ (5,710)	\$ (1,209)	\$ (4,883)	\$ 204,766	\$ (253,750)	\$ (428,768)
District's covered-employee payroll	\$ 1,273,316	\$ 1,187,609	\$ 1,167,685	\$ 1,145,608	\$ 1,077,277	\$ 1,090,876	\$ 1,148,342	\$ 1,090,806	\$ 1,040,718
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.95%	0.20%	0.50%	0.11%	0.45%	17.83%	23.26%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.1%	107.3%

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

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

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

Southeast Area Cooperative
Schedule of the Cooperative Contributions
South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 79,747	\$ 76,399	\$ 71,257	\$ 70,061	\$ 68,737
Contributions in relation to the contractually-required contribution	<u>79,747</u>	<u>76,399</u>	<u>71,257</u>	<u>70,061</u>	<u>68,737</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,329,114	\$ 1,273,316	\$ 1,187,609	\$ 1,167,685	\$ 1,145,608
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 64,922	\$ 65,518	\$ 69,252	\$ 65,446	\$ 62,034
Contributions in relation to the contractually-required contribution	<u>64,922</u>	<u>65,518</u>	<u>69,252</u>	<u>65,446</u>	<u>62,034</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,077,277	\$ 1,090,876	\$ 1,148,342	\$ 1,090,806	\$ 1,040,718
Contributions as a percentage of employee-covered payroll	6.03%	6.01%	6.03%	6.00%	5.96%

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

Southeast Area Cooperative
Notes to Required Supplementary Information
For the Year Ended June 30, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

During the 2022 Legislation 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 member 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 June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

Southeast Area Cooperative
Notes to Required Supplementary Information
For the Year Ended June 30, 2023 (Continued)

As of June 30, 2022, the FVRF assuming the COLA is 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 2.1%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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

Actuarial Method Changes

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

Supplementary Information

Southeast Area Cooperative
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Career and Technical Education - Basic Grants to States	84.048A	PRPI-61201-23	\$ 48,580
Special Education Cluster (Note 4):			
Special Education Grants to States (IDEA, Part B)	84.027	611-61201-23	884,385
Special Education - Preschool Grants (IDEA Preschool)	84.173	619-61201-23	<u>44,397</u>
Total Special Education Cluster			<u>928,782</u>
Early Intervention Services (IDEA) Cluster			
Special Education Grants for Infants and Families	84.181	611-61201-23	<u>200,209</u>
Total U.S. Department of Education			<u>1,177,571</u>
Grand Total			<u>\$ 1,177,571</u>

Note 1: - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Cooperative under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Cooperative.

Note 2: - Summary of Significant Accounting Policies

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

Note 3: - Federal Reimbursement

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 4: - Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.