

THREE RIVERS SPECIAL SERVICES COOPERATIVE

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

THREE RIVERS SPECIAL SERVICES COOPERATIVE

THREE RIVERS SPECIAL SERVICES COOPERATIVE
COOPERATIVE OFFICIALS
JUNE 30, 2024

BOARD MEMBERS:

Mike Olson, President
Casey Griffith, Vice-President
Bill Hutchinson
Rebecka Roghair
Jessie Tucker

DIRECTOR:

Julie Mathiesen

BUSINESS MANAGER:

Kathy Arthur

Schoenfish & Co., Inc.

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THREE RIVERS SPECIAL SERVICES 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

Board of Directors
Three Rivers Special Services Cooperative
Philip, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Three Rivers Special Services Cooperative, Philip, South Dakota (Cooperative), as of June 30, 2024 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated November 12, 2024.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Cooperative's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or 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 as item 2024-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

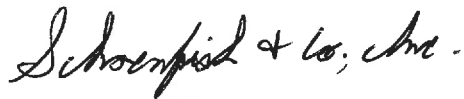
regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such 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

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
November 12, 2024

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2023-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated under current audit finding number 2024-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2024-001:

Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This finding was first noted in 1992.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause of Condition:

A limited number of employees process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Potential Effect of Condition:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

RECOMMENDATION:

1. We recommend that the Three Rivers Special Services 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.

Client's Response:

The Three Rivers Special Services Cooperative Governing Board is responsible for the corrective action plan for this comment. This comment is due to the size of the Three Rivers Special Services Cooperative, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are developing policies and attempting to provide compensating controls.

CLOSING CONFERENCE

The audit was discussed with the Board President and the Business Manager on September 5, 2024.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Three Rivers Special Services Cooperative
Philip, South Dakota

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Three Rivers Special Services Cooperative, Philip, South Dakota (Cooperative), as of June 30, 2024, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Three Rivers Special Services Cooperative as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement 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 Budgetary Comparison Schedules, the Schedule of the Cooperative's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Cooperative Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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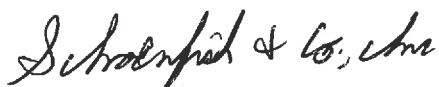
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Cooperative Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2024 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cooperative's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
November 12, 2024

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THREE RIVERS SPECIAL SERVICES COOPERATIVE
STATEMENT OF NET POSITION
As of June 30, 2024

	Primary Government Governmental Activities
ASSETS:	
Cash and Cash Equivalents	111,869.27
Investments	367,713.46
Other Assets	266,209.63
Net Pension Asset	2,234.94
TOTAL ASSETS	748,027.30
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related Deferred Outflows	181,227.22
TOTAL DEFERRED OUTFLOWS OF RESOURCES	181,227.22
LIABILITIES :	
Accounts Payable	26,574.89
Other Current Liabilities	55,599.26
Noncurrent Liabilities:	
Due Within One Year	8,000.00
Due in More than One Year	6,208.00
TOTAL LIABILITIES	96,382.15
DEFERRED INFLOWS OF RESOURCES:	
Pension Related Deferred Inflows	117,465.46
TOTAL DEFERRED INFLOWS OF RESOURCES	117,465.46
NET POSITION:	
Restricted for:	
SDRS Pension Purposes	65,996.70
Unrestricted	649,410.21
TOTAL NET POSITION	715,406.91

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

THREE RIVERS SPECIAL SERVICES COOPERATIVE
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Governmental Activities:					
Instruction	86,537.40		89,252.00		2,714.60
Support Services	538,492.51	237,919.20	88,562.13		(212,011.18)
Community Services	485,081.01		520,877.46		35,796.45
Total Governmental Activities	1,110,110.92	237,919.20	698,691.59	0.00	(173,500.13)
Total Primary Government	1,110,110.92	237,919.20	698,691.59	0.00	(173,500.13)
General Revenues:					
Unrestricted Investment Earnings					27,404.75
Other General Revenues					28,527.62
Total General Revenues					55,932.37
Change in Net Position					(117,567.76)
Net Position - Beginning					832,974.67
NET POSITION - ENDING					715,406.91

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

**THREE RIVERS SPECIAL SERVICES COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2024**

	General Fund
ASSETS:	
Cash and Cash Equivalents	111,869.27
Investments	367,713.46
Accounts Receivable, Net	47,852.13
Due from Other Government	200,402.50
Prepaid Expenses	17,955.00
TOTAL ASSETS	745,792.36
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accounts Payable	26,574.89
Contracts Payable	50,920.72
Payroll Deductions and Withholdings and Employer Matching Payable	4,678.54
Total Liabilities	82,174.15
Fund Balances:	
Nonspendable for Prepaid Expenses	17,955.00
Unassigned	645,663.21
Total Fund Balances	663,618.21
TOTAL LIABILITIES AND FUND BALANCES	745,792.36

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

THREE RIVERS SPECIAL SERVICES COOPERATIVE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
As of June 30, 2024

Total Fund Balances - Governmental Funds	<u>663,618.21</u>
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.	<u>2,234.94</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>181,227.22</u>
Long-term liabilities, including accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(14,208.00)</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(117,465.46)</u>
Net Position - Governmental Activities	<u><u>715,406.91</u></u>

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

THREE RIVERS SPECIAL SERVICES COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024

	General Fund
Revenues:	
Revenue from Local Sources:	
Earnings on Investments and Deposits	27,404.75
Other Revenue from Local Sources:	
Services Provided Other School Districts	237,919.20
Other	28,527.62
Revenue from State Sources:	
Grants-in-Aid:	
Restricted Grants-in-Aid	88,562.13
Revenue from Federal Sources:	
Grants-in-Aid:	
Restricted Grants-in-Aid Received from Federal Government Through the State	610,129.46
Total Revenue	992,543.16
Expenditures:	
Instruction:	
Regular Programs:	
Other Regular Programs	86,537.40
Support Services:	
Students:	
Speech Pathology	140,009.61
Instructional Staff:	
Improvement of Instruction	206,128.23
General Administration:	
Board of Education	13,926.88
Executive Administration	89,017.95
Business:	
Fiscal Services	76,614.24
Community Services:	
Custody and Care of Children	481,697.02
Total Expenditures	1,093,931.33
Net Change in Fund Balances	(101,388.17)
Fund Balance - Beginning	765,006.38
FUND BALANCE - ENDING	663,618.21

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

THREE RIVERS SPECIAL SERVICES COOPERATIVE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds	<u>(101,388.17)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(412.00)</u>
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 the governmental funds. (Pension Expense)	<u>(8,849.70)</u>
Changes in pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(6,917.89)</u>
Change in Net Position of Governmental Activities	<u><u>(117,567.76)</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

b. Basis of Presentation:Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Governmental Funds:

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

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 fund types.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues 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 all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Three Rivers Special Services Cooperative, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2024 are grants from the State of South Dakota and revenue for services provided.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

d. Deposits and Investments:

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

Investments classified in the financial statements consist primarily 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.

e. Capital Assets:

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

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

Government-Wide Statements:

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated acquisition value on the date donated.

Interest costs incurred during the construction of general capital assets are not capitalized along with other capital asset costs.

As of June 30, 2024, the entity held no capital assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Machinery & Equipment	\$ 5,000.00	Straight-line	4-20 yrs.

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 governmental fund upon acquisition.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

f. Long-Term Liabilities:

All long-term liabilities to be repaid from governmental 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.

g. Program Revenues:

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

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

h. Deferred Inflows and Deferred Outflows of Resources:

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

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

i. Equity Classifications:

Government-wide 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components.

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 purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as Prepaid Expenses.

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

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

l. Pensions:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

Fair Value Measurement – The Cooperative categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Cooperative has the following recurring fair value measurements as of June 30, 2024:

- U.S. Government securities of \$125,927.76 are valued using quoted market prices (Level 1 inputs).

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

As of June 30, 2024, the Cooperative had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Mutual Funds:		
RBC Wealth Manager:		
US Government Securities	Unrated	\$ 125,927.76
External Investment Pools:		
SDFIT	Unrated	63,847.62
TOTAL INVESTMENTS		<u><u>\$ 189,775.38</u></u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. SDFIT is reported as a cash and cash equivalent on the financial statements.

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.

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

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

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

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

In the fund financial statements, inventories 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 consumed. Reported inventories are equally offset by a fund balance "nonspendable" classification which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

No material inventories were on hand as of June 30, 2024.

5. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2024 is as follows:

	<u>Balance</u> <u>07/01/23</u>	<u>Net</u> <u>Change</u>	<u>Balance</u> <u>06/30/24</u>	<u>Due Within</u> <u>One Year</u>
Primary Government:				
Governmental Activities:				
Accrued Compensated Absences	13,796.00	412.00	14,208.00	8,000.00
Total Primary Government	<u>13,796.00</u>	<u>412.00</u>	<u>14,208.00</u>	<u>8,000.00</u>

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Liabilities Payable at June 30, 2024, is comprised of the following:

PRIMARY GOVERNMENT

Vacation Leave Payable from the General Fund \$14,208.00

6. RESTRICTED NET POSITON

Restricted Net Position for the year ended June 30, 2024 was as follows:

<u>Major Purposes:</u>	<u>Restricted By</u>	<u>Amount</u>
SDRS Pension Purposes	Governmental Accounting Standards	<u>\$65,996.70</u>
Total Restricted Net Position		<u>\$65,996.70</u>

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

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

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation 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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The Cooperative’s share of contributions to the SDRS for the fiscal years ended June 30, 2024, 2023, and 2022 were \$26,587.31, \$35,437.01, and \$29,598.20, respectively, equal to the required contributions each year.

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

At June 30, 2023, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Cooperative as of the measurement period ending June 30, 2023 and reported by the Cooperative as of June 30, 2024 are as follows:

Proportionate share of pension liability	\$ 3,318,078.80
Less proportionate share of net pension restricted for pension benefits	<u>\$ 3,320,313.74</u>
Proportionate share of net pension liability (asset)	<u>\$ (2,234.94)</u>

At June 30, 2024, the Cooperative reported a liability (asset) of \$(2,234.94) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Cooperative's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Cooperative's proportion was 0.02289800%, which is an increase (decrease) of 0.0022390% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Cooperative recognized pension expense (reduction of pension expense) of \$(15,767.59). At June 30, 2024, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 63,350.67	
Changes in assumption.	\$ 76,409.73	\$ 111,694.01
Net Difference between projected and actual earnings on pension plan investments.	\$ 14,879.51	
Changes in proportion and difference between Cooperative contributions and proportionate share of contributions.		\$ 5,771.45
Cooperative contributions subsequent to the measurement date.	<u>\$ 26,587.31</u>	
TOTAL	<u>\$ 181,227.22</u>	<u>\$ 117,465.46</u>

\$26,587.31 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	
2025	\$ 28,243.03
2026	\$ (35,624.93)
2027	\$ 41,823.02
2028	<u>\$ 2,733.33</u>
TOTAL	<u>\$ 37,174.45</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS(Continued)

Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.91%

Mortality Rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	<u>100%</u>	

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Discount Rate:

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

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

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Cooperative's proportionate share of the net pension liability (asset)	\$458,085.70	\$(2,234.94)	\$(378,689.43)

Pension Plan Fiduciary Net Position:

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

8. FINANCING OF COOPERATIVE

Local financing of the Cooperative is raised by each member school district contributing a pro-rated share of said amount based upon the number of children listed in the Annual Accreditation Report, plus any children enrolled in private schools from each member district.

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

Bennett County School District	27.00%
Jones County School District	11.00%
Kadoka School District	19.00%
Lyman School District	20.00%
White River School District	<u>23.00%</u>
TOTAL	<u>100.00%</u>

9. RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2024, the Cooperative managed its risks as follows:

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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Worker's Compensation:

The Cooperative purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits:

The Cooperative provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

10. SIGNIFICANT CONTINGENCIES – LITIGATION

At June 30, 2024, the Cooperative was not involved in any significant litigation.

11. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through November 12, 2024, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
THREE RIVERS SPECIAL SERVICES COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Earnings on Investments and Deposits	18,000.00	18,000.00	27,404.75	9,404.75
Other Revenue from Local Sources:				
Services Provided Other School Districts	221,602.00	221,602.00	237,919.20	16,317.20
Other	77,223.00	77,223.00	28,527.62	(48,695.38)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	60,637.00	60,637.00	88,562.13	27,925.13
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	637,772.00	682,412.00	610,129.46	(72,282.54)
Total Revenue	1,015,234.00	1,059,874.00	992,543.16	(67,330.84)
Expenditures:				
Instruction:				
Regular Programs:				
Other Regular Programs	90,018.00	90,018.00	86,537.40	3,480.60
Support Services:				
Students:				
Speech Pathology	142,155.00	142,155.00	140,009.61	2,145.39
Instructional Staff:				
Improvement of Instruction	140,084.00	140,084.00	206,128.23	(66,044.23)
General Administration:				
Board of Education	14,945.00	14,945.00	13,926.88	1,018.12
Executive Administration	87,354.00	87,354.00	89,017.95	(1,663.95)
Business:				
Fiscal Services	76,242.00	76,242.00	76,614.24	(372.24)
Community Services:				
Custody and Care of Children	547,754.00	592,394.00	481,697.02	110,696.98
Total Expenditures	1,098,552.00	1,143,192.00	1,093,931.33	49,260.67
Net Change in Fund Balances	(83,318.00)	(83,318.00)	(101,388.17)	(18,070.17)
Fund Balance - Beginning	765,006.38	765,006.38	765,006.38	0.00
FUND BALANCE - ENDING	681,688.38	681,688.38	663,618.21	(18,070.17)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

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

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

Note 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Student Transportation function of government, along with all other current Student Transportation related expenditures.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE COOPERATIVE'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last 10 Fiscal Years *

	Cooperative's proportion of the net pension liability/asset	Cooperative's proportionate share of net pension liability (asset)	Cooperative's covered-employee payroll	Cooperative's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2024	0.0228980%	\$ (2,235)	\$ 590,615	0.38%	100.10%
2023	0.0206590%	\$ (1,952)	\$ 493,301	0.40%	100.10%
2022	0.0195540%	\$ (149,750)	\$ 443,752	33.75%	105.52%
2021	0.0207087%	\$ (899)	\$ 453,203	0.20%	100.04%
2020	0.0178543%	\$ (1,892)	\$ 379,618	0.50%	100.09%
2019	0.0181225%	\$ (423)	\$ 376,741	0.11%	100.02%
2018	0.0175707%	\$ (1,595)	\$ 352,304	0.45%	100.10%
2017	0.0163384%	\$ 55,190	\$ 302,428	18.25%	96.89%
2016	0.0207444%	\$ (87,983)	\$ 379,000	23.21%	104.10%
2015	0.0223153%	\$ (160,773)	\$ 387,000	41.54%	107.30%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of the previous year.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COOPERATIVE PENSION CONTRIBUTIONS

South Dakota Retirement System

Last 10 Fiscal Years

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Cooperative's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2024	\$ 26,587	\$ 26,587	\$ -	\$ 443,123	6.00%
2023	\$ 35,437	\$ 35,437	\$ -	\$ 590,615	6.00%
2022	\$ 29,598	\$ 29,598	\$ -	\$ 493,301	6.00%
2021	\$ 26,625	\$ 26,625	\$ -	\$ 443,752	6.00%
2020	\$ 27,192	\$ 27,192	\$ -	\$ 453,203	6.00%
2019	\$ 22,777	\$ 22,777	\$ -	\$ 379,618	6.00%
2018	\$ 22,605	\$ 22,605	\$ -	\$ 376,741	6.00%
2017	\$ 21,138	\$ 21,138	\$ -	\$ 352,304	6.00%
2016	\$ 18,146	\$ 18,146	\$ -	\$ 302,428	6.00%
2015	\$ 22,724	\$ 22,724	\$ -	\$ 379,000	6.00%

**NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

Changes from Prior Valuation

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change in actuarial assumptions from the June 30, 2022 Actuarial Valuation.

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

Benefit Provision Changes

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% 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, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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