

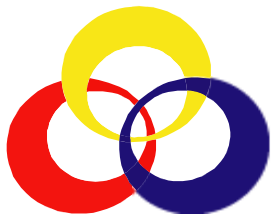


SOUTH EASTERN COUNCIL OF GOVERNMENTS

SOUTH DAKOTA

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S
REPORT WITH SUPPLEMENTARY
INFORMATION**

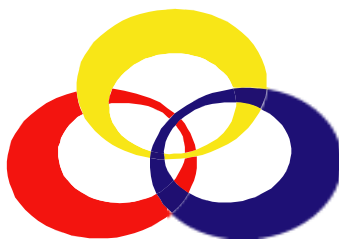
DECEMBER 31, 2022



Kinner & Company Ltd
Certified Public Accountants
Taxes, QuickBooks & Investments

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Kinner & Company Ltd

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Executive Board of Directors
South Eastern Council of Governments
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of South Eastern Council of Governments (SECOG) as of and for the year ended December 31, 2022, and related notes to the financial statements, which collectively comprise SECOG's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of SECOG as of December 31, 2022 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SECOG 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.

Responsibility 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.

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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 SECOG'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 Responsibility 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 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 generally accepted auditing standards 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 SECOG'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 SECOG'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 schedule of the proportionate share of net pension liability/(asset) and the schedule of contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

Management has omitted the Management's Discussion and Analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SECOG's basic financial statements. The accompanying Schedule of Overhead, Salaries and Benefits Expense and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 June 15, 2023 on our consideration of SECOG'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 SECOG'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 SECOG's internal control over financial reporting and compliance.

Kinner + Company Ltd.

Kinner & Company Ltd
Certified Public Accountants
Brookings, South Dakota

June 15, 2023

SOUTH EASTERN COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2022

	General Fund	Reconciliation	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 1,157,679	\$ -	\$ 1,157,679
Receivables:			
Related party receivable	660,792	-	660,792
Other contracts receivable	259,313	-	259,313
Prepaid expenses	41,552	-	41,552
Net pension asset	-	5,794	5,794
Capital assets:			
Capital assets not being depreciated	-	90,301	90,301
Capital assets being depreciated, net	-	203,595	203,595
Total capital assets	-	293,896	293,896
Total Assets	<u>2,119,336</u>	<u>299,691</u>	<u>2,419,027</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension related	-	527,251	527,251
Total assets and deferred outflows	<u>\$ 2,119,336</u>	<u>\$ 826,942</u>	
LIABILITIES			
Accounts payable	\$ 40,097	\$ -	\$ 40,097
Related party payable	25,960		25,960
Tenant deposits	1,781	-	1,781
Unearned revenue:			
Members	8,341	-	8,341
Long-term liabilities:			
Portion due or payable within one year:			
Accrued compensated absences	-	49,834	49,834
Portion due or payable after one year:			
Accrued compensated absences	-	92,549	92,549
Total Liabilities	<u>76,179</u>	<u>142,383</u>	<u>218,562</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension related	-	348,924	348,924
FUND BALANCE/NET POSITION			
Fund Balances:			
Nonspendable - prepaid expenses	41,552	(41,552)	-
Assigned - building improvements	100,000	(100,000)	-
Unassigned	1,901,605	(1,901,605)	-
Total Fund Balances	<u>2,043,158</u>	<u>(2,043,158)</u>	<u>-</u>
Net Position:			
Investment in capital assets	-	293,896	293,896
Restricted for SDRS pension	-	184,121	184,121
Unrestricted	-	1,900,775	1,900,775
Total Net Position	<u>-</u>	<u>2,378,792</u>	<u>\$ 2,378,792</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,119,336</u>	<u>\$ 826,942</u>	

The accompanying notes are an integral part of these financial statements.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

Total fund balances for governmental fund		\$ 2,043,158
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	90,301	
Building and improvements, net of \$333,900 accumulated depreciation	190,340	
Equipment, net of \$107,202 accumulated depreciation	<u>13,255</u>	
Total capital assets		293,896
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		
		5,794
Pension related deferred outflows are components of the net pension asset/liability and therefore are not reported in the funds.		
		527,251
Long-term liabilities applicable to governmental activities are not due and payable in current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at year end are:		
Compensated absences	<u>(142,383)</u>	
Total long-term liabilities		(142,383)
Pension related deferred inflows are components of the net pension asset/liability and therefore are not reported in the funds.		
		<u>(348,924)</u>
Total net position of governmental activities		<u>\$ 2,378,792</u>

The accompanying notes are an integral part of these financial statements.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
AND GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2022

	General Fund	Reconciliation	Statement of Activities
EXPENDITURES/PROGRAM EXPENSES			
Planning:			
Salaries and fringe benefits	\$ 2,395,576	\$ (12,020)	\$ 2,383,556
Building	47,574	-	47,574
Professional fees	88,305	-	88,305
Travel	5,093	-	5,093
Insurance	49,460	-	49,460
Supplies and materials	11,571	-	11,571
Dues, subscriptions and memberships	11,275	-	11,275
Postage and freight	2,022	-	2,022
Telecommunications	12,961	-	12,961
Auto	6,281	-	6,281
Copy machine	991	-	991
Computer expense	8,217	-	8,217
Advertising and public information	340	-	340
Office equipment	2,161	-	2,161
Miscellaneous	14,747	-	14,747
Grants - donations	18,775	-	18,775
Participating agency grant pass through			
Federal grants	1,170,418	-	1,170,418
Depreciation	-	20,538	20,538
Capital outlay	58,134	(58,134)	-
	<u>3,907,064</u>	<u>(49,617)</u>	<u>3,857,447</u>
Total expenditures/program expenses			
PROGRAM REVENUES			
Charges for goods and services:			
Member dues	294,395	-	294,395
Other contract revenue	2,596,353	-	2,596,353
Operating grants and contracts:			
SECOG - federal	193,861	-	193,861
Participating agencies - federal	1,170,418	-	1,170,418
	<u>4,255,028</u>	<u>-</u>	<u>4,255,028</u>
Total program revenues			
GENERAL REVENUES			
Interest income	10,118	-	10,118
Rental income	22,388	-	22,388
Other general revenue	13,404	-	13,404
	<u>45,911</u>	<u>-</u>	<u>45,911</u>
Total general revenues			
Change in fund balances/net position	393,875	49,617	443,491
Fund balances/net position			
Beginning	<u>1,649,283</u>	<u>286,019</u>	<u>1,935,301</u>
Ending	<u>\$ 2,043,158</u>	<u>\$ 335,636</u>	<u>\$ 2,378,792</u>

The accompanying notes are an integral part of these financial statements.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
RECONCILIATION OF STATEMENT OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Net change in fund balances - total governmental fund \$ 393,875

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$20,538) reduced capital outlay (\$58,134) in the current period. 37,596

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment is the net change in compensated absences. (31,913)

Changes in the net pension asset/liability and the pension related deferred inflows and outflows are direct components of pension asset/liability and are not reflected in the governmental funds. 43,933

Change in net position of governmental activities \$ 443,491

The accompanying notes are an integral part of these financial statements.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of South Eastern Council of Governments (SECOG) conform to generally accepted accounting principles as applicable to governments.

Nature of Business

SECOG is a voluntary association of cities and counties within the six county South Eastern South Dakota Region. SECOG was established in 1972 to assist local governments in preparing and causing to be prepared general physical, economic and human resource comprehensive plans containing recommendations for the coordinated, unified, and orderly growth of the entire region. SECOG was established by Executive Order of the Governor #70-7 under the authority granted in Chapter 1-24 of the South Dakota Codified Laws as of 1967. The basic operations of SECOG are financed by federal grants, member dues and other grant and contract revenues.

Reporting Entity

SECOG's financial statements include the accounts of all SECOG operations. The criteria for including organizations within SECOG's reporting entity, as set forth by the Governmental Accounting Standards Board (GASB), primarily include the degree of oversight responsibility maintained by the Executive Board. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Members of SECOG are Counties and First Class Municipalities located within the following six county region in South Dakota: Clay, Lincoln, McCook, Minnehaha, Turner and Union.

According to the terms of the Joint Cooperative Agreement, the Executive Board, which is the policy making and oversight body for SECOG, is comprised of not more than twenty-one voting members and one non-voting member, who shall act as Chairman. The voting members may consist of 12 Joint Cooperative Agreement Members including one from each County in the SECOG region, two members of the Sioux Falls City Council, the Mayors of Brandon, Harrisburg, Sioux Falls and Vermillion; eight Private Sector Representatives residing in the SECOG region; and one State Legislator from SECOG's six county region.

SECOG's financial statements do not include the operations of member governments and various local agencies for which grants and funding are issued by SECOG because none of the criteria for inclusion set forth by the GASB have been met.

Basis of Presentation

SECOG represents a special purpose organization engaged in a single governmental program that provides member local governments with assistance in planning the growth and expansion of infrastructure and economic and human resources. As such, SECOG presents combined fund financial statements and government-wide statements.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Government-wide Statements: The statement of net position and the statement of activities display information about the reporting entity as a whole. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Position reports all financial and capital resources in a net position form. Net position is displayed in three components, as applicable, net investment in capital assets, restricted, and unrestricted.

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

Fund Financial Statements: Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. SECOG presently has no proprietary or fiduciary funds.

All of SECOG's activities are accounted for within the General Fund, which is a governmental fund type. The GASB sets forth minimum criteria for the determination of major funds. As all activities are accounted for within this fund, it is presented as a major governmental fund described as follows:

General Fund - the General Fund is the main operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 and similar fiduciary fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and similar trust funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when they occur; 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 and similar fiduciary 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. A 60-day availability period is used for recognition of governmental fund revenues. The revenues which are accrued at December 31, 2022, consist primarily of grants and contracts receivable.

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. Reported unearned revenue or deferred inflows of financial resources are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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.

Deposits and Investments

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts 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. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

Capital Assets

Capital assets include land, buildings, vehicles and equipment that are used in operations and that have initial useful lives extending beyond a single reporting period.

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

Government-Wide Statements:

Purchased capital assets are valued at cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

Depreciation of 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 5,000	Straight-line	15-40 yrs.
Equipment	\$ 5,000	Straight-line	2-5 yrs.

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. No depreciation expense is recognized.

Capital assets acquired under a grant would revert back to the funding source if SECOG ceased to exist. The member jurisdictions shall be entitled to a prorated share of the value of any real or personal property of SECOG after payment of all outstanding obligations. The prorated share is based on the percentage of resources contributed by that jurisdiction in the past five years compared to the total contributed in the past five years by all the member public agencies entitled to a share of the remaining real or personal property.

Long-Term Liabilities

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

SOUTH EASTERN COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Long-term liabilities for the governmental fund are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures.

Compensated Absences

Regular, full-time employees accrue annual leave at a range of 3.375 hours to 8.375 hours per pay period, depending on length of service. The accrual is prorated for regular part-time employees. Employees may accumulate annual leave without limitation, provided that as of December 31 of each calendar year, the employee's maximum balance is not exceeded. The maximum balance is dependent upon length of service and hire date.

Sick leave is accrued by eligible employees at four hours per pay period for regular, full-time employees and is prorated for regular part-time employees. Sick leave is accrued proportionally. Sick leave may accrue without limit. In the event of resignation, retirement, layoff, or death, one-fourth of accumulated sick leave (up to 480 hours) will be paid to employees who have been employed with SECOG for at least seven years. The accumulated leave is paid at the rate of pay as of the employee's last day on the payroll.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, the 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. SECOG's contributions and net pension asset are recognized on an accrual basis of accounting.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position may report 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 net position may report 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.

Program Revenues

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

1. Charges for services – member dues – All member governments are required to pay dues to SECOG in order to be a part of the organization. Dues are determined by census results and are recognized as revenues in the period they are due.
2. Charges for services – other contract revenues – These are program specific revenues from other than federal, state and member sources.
3. Federal grants and contracts – These are program specific operating grants arising from mandatory and voluntary non-exchange transactions with other governments which fund SECOG's programs. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the providers have been met. Such revenue is subject to review by the funding agency. Minor adjustments may result in subsequent periods.

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.
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", and "Unassigned" components.

Application of Net Position

It is SECOG'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.

Fund Balance Classification Policies and Procedures

In accordance with GASB, SECOG classifies governmental fund balances as follows:

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. 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.
3. 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.
4. 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 Executive Board.
5. 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.

SECOG uses restricted 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, SECOG would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. SECOG does not have a formal minimum fund balance policy.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

Budgetary Comparison Schedules

SECOG is not legally required to adopt a budget for the General Fund; therefore, the budgetary comparison information is not presented as required supplementary information or as a basic financial statement.

2. DEPOSITS AND INVESTMENTS

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

Deposits - Deposits are made in qualified public depositories as defined by SDCL 4-6A-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.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

Investments - In general, SDCL 4-5-6 permits 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); 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). 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.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, SECOG's deposits may not be returned to it. SECOG does not have a deposit policy for custodial credit risk. As of December 31, 2022, SECOG's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Investments – As of December 31, 2022, SECOG had no investments.

Authorized Investments – SECOG has adopted an investment policy that allows investment of SECOG's funds only in checking accounts, savings accounts, certificates of deposit, and money market accounts with qualified FDIC and NCUA public depositories within the SECOG region.

Investment Interest Rate Risk, Credit Risk and Concentration of Credit Risk – SECOG's investment policy has limited investment of funds to deposits in insured financial institutions and is not exposed to these investment risks.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements.

Receivables are primarily due from various grants and programs. Management anticipates collecting the receivables from these programs, therefore, no allowance for doubtful accounts has been provided for these receivables.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of SECOG. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although SECOG expects such amounts, if any, to be immaterial.

4. LEASING ACTIVITIES

SECOG entered into long-term lease agreements with two tenants for rental of office space. The leases have terms expiring or coming up for renewal at various times over the next year. SECOG recognized \$22,388 in rental income under these leases during the year ended December 31, 2022.

The following is a schedule, by year, of the minimum lease payments receivable for the tenants with long-term leases as of December 31, 2022:

<u>Year</u>	
2023	<u>\$ 4,871</u>
Total	<u><u>\$ 4,871</u></u>

SOUTH EASTERN COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 90,301	\$ -	\$ -	\$ 90,301
Total capital assets not being depreciated	<u>90,301</u>	<u>-</u>	<u>-</u>	<u>90,301</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	471,435	52,804	-	524,239
Equipment	115,128	5,330	-	120,458
Total capital assets being depreciated	<u>586,563</u>	<u>58,134</u>	<u>-</u>	<u>644,697</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	321,054	12,846	-	333,900
Equipment	99,510	7,692	-	107,202
Total capital assets being depreciated	<u>420,564</u>	<u>20,538</u>	<u>-</u>	<u>441,102</u>
Total capital assets being depreciated, net	<u>165,999</u>	<u>20,538</u>	<u>-</u>	<u>203,595</u>
Governmental activities capital assets, net	<u>\$ 256,300</u>	<u>\$ 20,538</u>	<u>\$ -</u>	<u>\$ 293,896</u>

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended December 31, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental activities:</i>					
Compensated absences	\$ 110,470	\$ 57,135	\$ (25,222)	\$ 142,383	\$ 49,834
Total	<u>\$ 110,470</u>	<u>\$ 57,135</u>	<u>\$ (25,222)</u>	<u>\$ 142,383</u>	<u>\$ 49,834</u>

7. RESTRICTED NET POSITION

As of December 31, 2022, net position restrictions as shown on the Statement of Net Position are for net pension asset components in the amount of \$184,121, which recognizes SECOG's proportionate share of the restricted net pension asset resulting from their membership in the South Dakota Retirement System.

8. ALLOCATION OF FRINGE BENEFITS AND INDIRECT COSTS

SECOG's fringe benefits and indirect costs are based on actual expenditures determined in accordance with the guidelines established by the grantor agency and applicable cost principles. Fringe benefits are allocated to grants as a percentage of SECOG's salaries and wages. Indirect costs represent the administrative burden of SECOG and are allocated as a percentage of direct salaries and fringe benefits.

The rate used for fringe benefits for the year ended December 31, 2022, was 43.08%. The indirect cost rate for the year ended December 31, 2022, was 12.17%.

SECOG's operations consist of general operations and participating agency grants that are accounted for within the general fund. The allocation of fringe benefits and indirect costs refers to allocations in connection with specific grants and contracts.

9. 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 vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified law 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 writing to the SDRS, PO Box 1098, Pierre, South Dakota, 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

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

SOUTH EASTERN COUNCIL OF GOVERNMENTS
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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 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. SECOG's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021 and 2020 was \$92,260, \$77,519 and \$72,354 respectively, equal to the required contributions each year.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

At June 30, 2022, SDRS is 100.10% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for SECOG as of the measurement period ending June 30, 2022, and reported by SECOG as of December 31, 2022 are as follows:

Proportionate share of pension liability	\$ 8,654,617
Less proportionate share of net position restricted for pension benefits	<u>8,660,411</u>
Proportionate share of netpension liability/(asset)	<u>\$ (5,794)</u>

At December 31, 2022, SECOG reported a liability/(asset) of \$(5,794) for its proportionate share of the net pension liability/(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 SECOG's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, SECOG's proportion was 0.061308%, which is an increase of 0.005632% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, SECOG recognized pension expense of \$43,933. At December 31, 2022, SECOG 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>
Differences between expected and actual experience	\$ 110,293	\$ 376
Changes in assumptions	368,248	322,720
Net difference between projected and actual earnings on pension plan investments	-	13,885
Changes in proportion and difference between SECOG's contributions and proportionate share of contributions	295	11,943
SECOG's contributions subsequent to the measurement date	<u>48,415</u>	<u>-</u>
Total	<u>\$ 527,251</u>	<u>\$ 348,924</u>

\$48,415 reported as deferred outflow of resources related to pensions resulting from SECOG's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction in pension expense) as follows:

SOUTH EASTERN COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

Year Ended December 31	
2023	\$ 33,213
2024	77,132
2025	(94,250)
2026	113,817
Total	<u>\$ 129,912</u>

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	2.50%
Salary increase	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount rate	6.50% net of plan investment expenses. This is composed of an average inflation rate of 2.5 % and real returns of 4.00%.
Future COLAs	2.10%

Mortality rates were based on the RP-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 Actuarial Valuation were adopted by the SDRS Board of Trustees based on the results of an actuarial experience study for the period from July 1, 2016 through 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. These ranges are combined to produce the long-term expected rate of return by weighting 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:

SOUTH EASTERN COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

Asset Class	Target Allocation	Long-Term 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 %
	100.0 %	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.5%. 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 SECOG's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what SECOG'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
SECOG's proportionate share of net pension liability/(asset)	\$ 1,203,069	\$ (5,794)	\$ (993,754)

Pension Plan Fiduciary Net Position

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

8. RISK MANAGEMENT

SECOG 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 year ended December 31, 2022, SECOG managed its risks as follows:

Employee Health Insurance

SECOG purchases health insurance for its employees from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Liability and Property Insurance

SECOG joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. SECOG's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against SECOG. SECOG pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for general liability, property coverage, auto liability and damage, and errors and omissions of public officials.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing Members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

The SECOG reflected the effects of the new SDPAA policy in the financial statements as a Change in Accounting Estimate in the Statement of Activities and also eliminated the reporting of the Deposit on the Statement of Net Position and Governmental Fund Balance Sheet.

SECOG does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation

SECOG is a member of the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. SECOG's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

SECOG pays an annual premium, to provide worker's compensation coverage to its employees under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date to the Fund Members. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to \$2,000,000 per individual per incident.

SECOG does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

SECOG 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. RELATED PARTY TRANSACTIONS

Per a Technical Services Agreement with South Eastern Development Foundation (SEDF) and Dakota Business Finance (DBF), SECOG is reimbursed for salaries, employee benefits and various other administrative costs. For the year ended December 31, 2022, the total administrative costs paid to SECOG by SEDF was \$565,422. The total administrative costs paid to SECOG by DBF was \$886,408. The outstanding amount due from related parties as of December 31, 2022 is \$660,792. The outstanding amount due to related parties as of December 31, 2022 is \$25,960.

11. SUBSEQUENT EVENTS

Events occurring after December 31, 2022 were evaluated by management on June 15, 2023, the date the financial statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included. There are no significant subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH EASTERN COUNCIL OF GOVERNMENTS
 SCHEDULE OF THE PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY/(ASSET)

South Dakota Retirement System Last 10 Years*

	SECOG's proportion of the net pension liability/(asset)	SECOG's proportionate share of net pension liability/(asset)	SECOG's covered-employee payroll	SECOG's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability/(asset)
2022	0.061308%	(5,794)	1,332,945	-0.43%	100.10%
2021	0.055676%	(426,383)	1,133,250	-37.62%	105.52%
2020	0.049267%	(2,140)	1,081,256	-0.20%	100.04%
2019	0.043689%	(4,630)	928,918	-0.50%	100.09%
2018	0.044069%	(1,028)	916,145	-0.11%	100.02%
2017	0.042760%	(3,880)	868,794	-0.45%	100.10%
2016	0.040975%	138,410	779,145	17.76%	96.89%
2015	0.037775%	(160,215)	689,656	-23.23%	104.10%
2014	0.039778%	(250,695)	608,500	-41.20%	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 6/30. Until a full 10-year trend is compiled, SECOG will present information for those years for which information is available.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
SCHEDULE OF CONTRIBUTIONS

South Dakota Retirement System Last 10 Years*

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	SECOG's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	92,260	92,260	-	1,537,743	6.00%
2021	77,519	77,519	-	1,162,043	6.67%
2020	72,354	72,354	-	1,205,620	6.00%
2019	58,198	58,198	-	969,965	6.00%
2018	56,226	56,226	-	937,092	6.00%
2017	49,431	49,431	-	823,843	6.00%
2016	51,745	51,745	-	862,422	6.00%
2015	45,342	45,342	-	755,703	6.00%
2014	37,370	37,370	-	622,833	6.00%

* Until a full 10-year trend is compiled, SECOG will present information for those years for which information is available

See Independent Auditor's Report

Changes of Benefit Terms

There were no significant changes.

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

Actuarial Assumption Changes

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

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

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

The changes in the actuarial assumptions implemented as a result of the 2022 experience analysis and the method changes described below reduced the Actuarial Accrued Liability by \$204 million, excluding changes in the COLA assumption.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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

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

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

For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

The changes in the actuarial assumption for future COLAs decreased the Actuarial Accrued Liability by \$215 million, or 1.5% of the Actuarial Accrued Liability based on the 2.25% baseline COLA assumption.

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.

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. The impact of these actuarial method changes is included in the assumption change impact noted above.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
SCHEDULE OF OVERHEAD, SALARIES AND BENEFITS EXPENSE
YEAR ENDED DECEMBER 31, 2022

	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
Total salaries	\$ 1,574,036	\$ 102,975	\$ 1,677,011
Percent of total	93.86%	6.14%	
Fringe Benefits:			
Holiday, vacation, sick and administrative leave			\$ 246,297
Retirement expense			54,463
Social Security, Medicare and Unemployment			134,122
Dental, health and self funded deduction			271,664
Total fringe benefits before carry forward	\$ 663,160	\$ 43,385	\$ 706,545
Over (under) recovered fringe benefit costs for Year Ended 2022 (calculated below)	14,934	977	15,911
Carry Forward - from 2020 (from Audit Report)	258,119	16,886	275,005
Total Fringe Benefit Costs	<u>\$ 936,213</u>	<u>\$ 61,248</u>	<u>\$ 997,461</u>
Fringe Benefits Distribution:			
Salaries	\$ 1,574,036	\$ 102,975	<u>\$ 1,677,011</u>
Fringe Benefit Rate applied to 2022	43.08%	43.08%	
Fringe Benefit Costs Recovered	678,095	44,362	722,456
Actual Fringe Benefit Costs (based on Percent of Total Salaries)	663,160	43,385	706,545
Over (Under) Recovered Fringe Benefit Costs	<u>14,934</u>	<u>977</u>	<u>15,911</u>
Salaries	\$ 1,574,036	\$ 102,975	\$ 1,677,011
Benefits	936,213	61,248	997,461
Total salaries and benefits	<u>\$ 2,510,249</u>	<u>\$ 164,223</u>	<u>\$ 2,674,472</u>
Reimbursable Overhead:			
Accounting, legal and professional fees		15,810	
Building expense		47,574	
Auto expense		6,281	
Computer hardware		3,667	
Computer software		4,550	
Copy machine		991	
Dues, subscriptions and memberships		11,275	
Insurance		49,460	
Office furniture and equipment		2,161	
Postage and freight		2,022	
Professional development		3,164	
Staff travel		3,255	
Supplies and materials		10,185	
Telecommunications		10,150	
Miscellaneous		13,482	
Total indirect general and administrative expenses		<u>184,026</u>	
Depreciation		20,538	
plus depreciation		<u>204,564</u>	
Total overhead before carry forward		368,787	
Over (under) recovered for Year Ended 2022		(63,290)	
Carry forward from 2020		<u>(280,827)</u>	
Total Indirect Costs		<u>\$ 24,670</u>	
Direct salaries	\$ 1,574,036		
Fringe benefits (based on % of total direct)	936,213		
Direct salaries and fringe	\$ 2,510,249		
Indirect Cost Rate applied to 2022	12.17%		
Indirect costs recovered		\$ 305,497	
Actual indirect costs		368,787	
Over (Under) Recovered Costs for 2022		<u>\$ (63,290)</u>	

SUPPLEMENTARY INFORMATION

SOUTH EASTERN COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

FEDERAL FUNDING/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal Assistance Listing Number	Contract/ Grant Number	Expenditures/Disbursements		
			SECOG	Passed Through to Subrecipients	Total
U.S. Department of Transportation Passed through the State of South Dakota Department of Transportation					
Highway Planning and Construction Cluster:					
Highway Planning and Construction (Federal Aid Highway Program) - (Note 2) 20.205					
Metropolitan Planning Organization - (Note 3)		311509	\$ 114,361	\$ 1,170,418	\$ 1,284,779
GPS/GIS Automated Mapping/Inventory		311514	7,000	-	7,000
Total			<u>\$ 121,361</u>	<u>\$ 1,170,418</u>	<u>\$ 1,291,779</u>
Total U.S. Department of Transportation			<u>\$ 121,361</u>	<u>\$ 1,170,418</u>	<u>\$ 1,291,779</u>
U.S. Department of Commerce Direct Funding					
Economic Development Support For Planning Organizations					
Economic Development Administration	11.302	ED19DEN3020002	17,500	-	17,500
		ED22DEC3020023	52,500	-	52,500
Total U.S. Department of Commerce			<u>70,000</u>	<u>-</u>	<u>70,000</u>
Total Federal Funding			<u>\$ 191,361</u>	<u>\$ 1,170,418</u>	<u>\$ 1,361,779</u>

** Pass-through entity identifying number not available

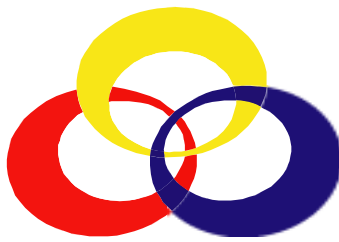
SOUTH EASTERN COUNCIL OF GOVERNMENTS
 NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2022

1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of SECOG and is presented on the full accrual basis of accounting unless otherwise noted. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. SECOG has elected not to use the 10 percent de minimis indirect cost rate as allowed by uniform guidance. Indirect costs are based on actual expenditures determined in accordance with the guidelines established by the grantor agency.

2. For the Metropolitan Planning Organization program, SECOG and participating agencies were reimbursed for eligible costs at the rate of 81.95%. Amounts reflected represent the 81.95% portion.

3. For the Metropolitan Planning Organization program, individual award amounts passed through to subrecipients, include the following:

City of Sioux Falls, South Dakota	\$ 886,699
Minnehaha County, South Dakota	49,081
City of Brandon, South Dakota	80,721
Lincoln County, South Dakota	23,674
City of Harrisburg, South Dakota	130,243
	\$ 1,170,418



Kinner & Company Ltd
Certified Public Accountants

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 Executive Board of Directors
South Eastern Council of Governments
Sioux Falls, 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 South Eastern Council of Governments (SECOG) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise SECOG's basic financial statements, and have issued our report thereon dated June 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SECOG'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 SECOG's internal control. Accordingly, we do not express an opinion on the effectiveness of SECOG'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SECOG'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 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*.

SECOG's Response to Findings

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

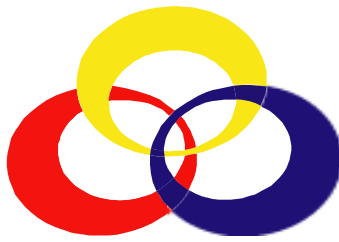
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 report is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

Kinner + Company Ltd.

Kinner & Company Ltd
Certified Public Accountants
Brookings, South Dakota

June 15, 2023



Kinner & Company Ltd
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE

To the Executive Board of Directors
South Eastern Council of Governments
Sioux Falls, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Eastern Council of Governments' (SECOG) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of SECOG's major federal programs for the year ended December 31, 2022. SECOG's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SECOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 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 SECOG and to meet our other 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 SECOG's compliance with the compliance requirements referred to above.

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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 grant agreements applicable to SECOG's federal programs..

Auditor's Responsibility 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 SECOG'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 generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of 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 SECOG's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 SECOG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SECOG'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 SECOG's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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 purpose. 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.

Kinner + Company Ltd.

Kinner & Company Ltd
Certified Public Accountants
Brookings, South Dakota

June 15, 2023

SOUTH EASTERN COUNCIL OF GOVERNMENTS
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance2 CFR section 200.516(a)? yes X no

Identification of major programs:

<u>Federal Assistance Listing Numbers</u> 20.205	<u>Name of Federal Program or Cluster</u> Highway Planning and Construction (Federal AidHighway Program)
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Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2022-001 – Material Weakness

Preparation of financial Statements, footnotes and Schedule of Expenditures of Federal Awards, including Audit Journal Entries

Condition: We, as auditors, were requested to assist in the preparation of the financial statements, related footnote disclosures, and schedule of expenditures of federal awards for the year ended December 31, 2022. SECOG does not have a documented internal control system over financial reporting to provide for the preparation of the financial statements, including the accompanying footnote disclosures as required by U.S. generally accepted accounting principles standards (U.S. GAAP); and preparation of the schedule of federal awards. In addition, we as auditors, were required to propose and had management post material year-end adjusting journal entries to the financial statements, in order for the financial statements to conform with U.S. GAAP.

Criteria: It is management's responsibility to provide for the preparation of the SECOG's financial statements, related footnote disclosures, and schedule of expenditures of federal awards, which includes having an adequately designed and implemented system of internal controls over financial reporting. It is the responsibility of the auditor to determine the fairness of the presentation of those statements.

Cause: SECOG does not have adequate staff trained to prepare financial statements along with the related footnotes and the schedule of expenditures of federal awards in accordance with generally accepted accounting principles and the Uniform Guidance. Additionally, there is not a formal documented review of manual adjusting journal entries for accuracy and reasonableness, which could cause the need for auditors to, at times, propose certain audit adjustments.

Effect: Although this circumstance is not unusual for an organization of your size, the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by SECOG personnel. This condition may affect SECOG's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition. We recommend SECOG establish appropriate internal controls over financial reporting and the auditee person responsible for the preparation of financial statements and related footnote disclosures receive appropriate training in order that management can take responsibility for the preparation of its financial statements and related footnote disclosures.

Views of Responsible Officials: Management agrees with the finding.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

Questioned Costs: None.

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

There are no major federal award program findings reported.

SOUTH EASTERN COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022

Finding 2021-001

Initial Fiscal Year Findings Occurred: 2021

Finding Summary: Kinner & Company, Ltd prepared our draft financial statements, accompanying notes to the financial statements, schedule of expenditures of federal awards, and identified certain audit adjustments during the prior year audit.

Status: Ongoing. Due to cost considerations, we will have Kinner & Company, Ltd prepare our draft financial statements, accompanying notes to the financial statements, and schedule of expenditures of federal awards. Audit adjustments identified by Kinner & Company, Ltd were corrected during the prior year audit.



Corrective Action Plan

Year Ended December 31, 2022

2022-001. Finding: Preparation of financial Statements, footnotes and Schedule of Expenditures of Federal Awards, including Audit Journal Entries

Finding Summary: Kinner & Company, Ltd prepared our draft financial statements, accompanying notes to the financial statements, and schedule of expenditures of federal awards which also included certain auditor proposed adjusting journal entries and passed audit adjustments.

Responsible Individuals: Lynne Keller Forbes, Executive Director

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements, accompanying notes, and schedule of expenditures of federal awards. We requested that our auditors, Kinner & Company, Ltd, prepared the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements, accompanying notes, and schedule of expenditures of federal awards, and any adjusting and passed journal entries prepared or identified by the auditor.

Anticipated Completion Date: Ongoing