

Prairie Lakes Educational Cooperative

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

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

Prairie Lakes Educational Cooperative

Board of Directors

June 30, 2023

Board Members

Matt Weiland ----- Board President

Kim Hansen -----Vice President

Shirlene Allgier----- Member

Jennifer Keyes----- Member

Tom Stenger----- Member

Jodi Gloe ----- Member

Julie Schwader ----- Member

Lori Schultz ----- Member

Jeff McAreavey ----- Member

Terry Stulken ----- Director

Mitchell Brooks-----Business Manager

Prairie Lakes Educational Cooperative

Table of Contents

	Page
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----	1-2
Schedule of Prior Audit Findings -----	3
Schedule of Current Audit Findings -----	4
Independent Auditor's Report -----	5-7
Management’s Discussion and Analysis (MD&A) -----	8-13
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position-----	14
Statement of Activities-----	15
Fund Financial Statements	
Governmental Funds:	
Balance Sheet-----	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position-----	17
Statement of Revenues, Expenditures, and Changes in Fund Balances-----	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities-----	19
Notes to the Financial Statements -----	20-32
Required Supplementary Information -----	33
Budgetary Comparison Schedule – General Fund-----	34
Notes to the Required Supplementary Information-----	35
Schedule of the Proportionate Share of the Net Pension Liability (Asset)-----	36
Schedule of the Cooperative Contributions to Pension-----	37
Notes to the Pension Schedules-----	38-39



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Prairie Lakes Educational Cooperative, Lake County, South Dakota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Prairie Lakes Educational Cooperative’s basic financial statements, and have issued our report thereon dated October 25, 2023.

Report on Internal Control Over Financial Reporting

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

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

Cooperative's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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.

Handwritten signature in cursive script that reads "Elk Point, SD".

Elk Point, South Dakota
October 25, 2023

Prairie Lakes Educational Cooperative

Schedule of Prior Audit Findings

Year Ended June 30, 2023

Findings – Financial Statement Audit

Significant Deficiency

Finding 2022-001 - Lack of Segregation of Duties

Analysis: Lack of segregation of duties could adversely affect the Coop's ability to record, process, summarize, and report financial data consistent with management assertions.

Recommendation: We recommend Prairie Lakes Educational Cooperative's officials be cognizant of this lack of segregation of duties for revenues, expenditures, and payroll and attempt to provide compensating internal controls whenever possible and practical.

Current Status: This finding is repeated.

Prairie Lakes Educational Cooperative
Schedule of Current Audit Findings
For the Year Ended June 30, 2023

Findings – Financial Statement Audit

Significant Deficiency

Finding 2023-001 - Lack of Segregation of Duties

Criteria: Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management.

Condition: There is a lack of segregation of duties within the Business Office related to the preparations of reconciliations and over several areas including revenues and expenses.

Cause: This condition exists due to small staff size within the finance function of the Coop. These issues are common in a school of this size.

Effect: There is an increased likelihood that fraud or errors occurring and not being detected or corrected in a timely manner by employees or others in the ordinary course of performing their duties.

Auditor's Recommendation: Management may train Business Office personnel to perform additional responsibilities such that the Business Manager can provide oversight, or management could involve board members in the year-end close process.

Views of Responsible Officials: Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

Repeat Finding from Prior Year(s): Yes



Independent Auditor's Report

Board of Directors
Prairie Lakes Educational Cooperative
Lake County, 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 Prairie Lakes Educational Cooperative as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Prairie Lakes Educational 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 Cooperative as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the 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 Coop'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 Coop's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the Cooperative's Contributions, and the Schedule of the Cooperative's Proportionate Share of the Net Pension Liability (Asset), and Related Ratios 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions or 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "ELO Prof LLC".

Elk Point, South Dakota
October 25, 2023

Prairie Lakes Educational Cooperative
Management's Discussion and Analysis (MD&A)
June 30, 2023

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

Financial Highlights

- An increase was seen in both revenues and expenditures during the fiscal year 2023.
- By the end of the fiscal year, net position increased by \$8,795.

Overview of the Financial Statements

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

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

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

Prairie Lakes Educational Cooperative
Management's Discussion and Analysis (MD&A)
June 30, 2023

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

Figure A-1
Major Features of Prairie Lakes Educational Cooperative's Government-Wide and Fund Financial Statements

	Government Wide Statements	Fund Statements Governmental Funds
Scope	Entire Organization government (except fiduciary funds)	The activities of the Cooperative that are not proprietary or fiduciary, such as elementary and high school education programs
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Prairie Lakes Educational Cooperative
Management's Discussion and Analysis (MD&A)
June 30, 2023

Government-Wide Statements

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

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

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

The government-wide financial statements of the Cooperative are reported in one category:

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

Fund Financial Statements

The fund financial statements provide more detailed information about the Cooperative's general fund. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

- State law requires some of the funds.
- The Board of Directors establishes other funds to control and manage money for particular purposes.

The Cooperative has one kind of fund:

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

Prairie Lakes Educational Cooperative
Management's Discussion and Analysis (MD&A)
June 30, 2023

Financial Analysis of the School as a Whole

Net Position

The Cooperative's combined net position increased as follows:

Table A-1
Prairie Lakes Educational Cooperative
Statement of Net Position

	Governmental Activities		Percentage
	2022	2023	Change
			2022-2023
Current and Other Assets	\$ 186,011	\$ 120,619	-35.15%
Total Assets	<u>186,011</u>	<u>120,619</u>	-35.15%
Pension Related Deferred Outflows	107,001	105,294	-1.60%
Total Deferred Outflows of Resources	<u>107,001</u>	<u>105,294</u>	-1.60%
Other Liabilities	49,058	57,836	17.89%
Total Liabilities	<u>49,058</u>	<u>57,836</u>	17.89%
Pension Related Deferred Inflows	148,162	63,490	-57.15%
Total Deferred Inflows of Resources	<u>148,162</u>	<u>63,490</u>	-57.15%
Net Position			
SDRS Pension Fund	35,277	42,862	21.50%
Unrestricted	60,515	61,725	2.00%
Total Net Position	<u>95,792</u>	<u>104,587</u>	9.18%
Beginning Net Position	<u>72,911</u>	<u>95,792</u>	31.38%
Increase (Decrease) in Net Position	<u>\$ 22,881</u>	<u>\$ 8,795</u>	
Percentage of Increase (Decrease) in Net Position	31.38%	9.18%	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. No long-term liabilities of the Cooperative have been reported. The difference between Prairie Lakes Educational Cooperative's assets and liabilities is its net position.

Prairie Lakes Educational Cooperative
Management's Discussion and Analysis (MD&A)
June 30, 2023

Changes in Net Position

The Cooperative's revenues totaled \$445,293. (See Table A-2.) This was an approximately 7.70% increase. Total costs of all programs and service increased by approximately 11.75%. The Cooperative's expenses totaled \$436,498. (See Table A-2.) The Cooperative's expenses cover support services.

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the Cooperative.

Table A-2
Prairie Lakes Educational Cooperative
Changes in Net Position

	Governmental Activities		Total Percentage Change
	2022	2023	2022-2023
Revenues			
Program Revenues:			
Charges for services	\$ 413,478	\$ 445,293	7.69%
Total Revenues	413,478	445,293	7.69%
Expenses			
Support services	390,597	436,498	11.75%
Total Expenses	390,597	436,498	11.75%
Increase (Decrease) in Net Position	22,881	8,795	-61.56%
Beginning Net Position	72,911	95,792	31.38%
Ending Net Position	\$ 95,792	\$ 104,587	9.18%

Financial Analysis of the Cooperative's Funds

Overall, the governmental funds have increased approximately \$8,795 in fund balance over last year.

General Fund Budgetary Highlights

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

Prairie Lakes Educational Cooperative
Management's Discussion and Analysis (MD&A)
June 30, 2023

Economic Factors and Next Year's Budgets and Rates

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

Contacting the School's Financial Management

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

Prairie Lakes Educational Cooperative
Statement of Net Position – Government-Wide
June 30, 2023

	Primary Government
	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 19,377
Due from other governments	100,184
Net pension asset	1,058
Total Assets	120,619
Deferred Outflows of Resources	
Pension related deferred outflows	105,294
Total Deferred Outflows of Resources	105,294
Liabilities:	
Accounts payable	220
Accrued wages and benefits	57,616
Total Liabilities	57,836
Deferred Inflows of Resources	
Pension related deferred inflows	63,490
Total Deferred Inflows of Resources	63,490
Net Position:	
SDRS Pension Purposes	42,862
Unrestricted	61,725
Total Net Position	\$ 104,587

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Prairie Lakes Educational Cooperative
Statement of Activities – Government-Wide
For the Year Ended June 30, 2023

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental Activities:				
Support services	\$ 436,498	\$ 445,293	\$ --	\$ 8,795
Total Governmental Activities	436,498	445,293	--	8,795
Total Primary Government	\$ 436,498	\$ 445,293	\$ --	8,795
			Change in Net Position	8,795
			Net Position-Beginning of Year	95,792
			Net Position - End of Year	\$ 104,587

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Prairie Lakes Educational Cooperative

Balance Sheet – Governmental Funds

June 30, 2023

	General Fund
Assets:	
Cash and cash equivalents	\$ 19,377
Due from other governments	100,184
Total Assets	<u>\$ 119,561</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 220
Contracts payable	49,642
Payroll deductions and withholding and employer matching payable	7,974
Total Liabilities	<u>57,836</u>
Fund Balances:	
Unassigned	61,725
Total Fund Balances	<u>61,725</u>
Total Liabilities and Fund Balances	<u>\$ 119,561</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Prairie Lakes Educational Cooperative

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

Total Fund Balances - Governmental Funds	\$ 61,725
Amounts reported for governmental activities in the statement of net assets are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	1,058
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	105,294
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(63,490)</u>
Net Position-Government Funds	<u>\$ 104,587</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Prairie Lakes Educational Cooperative
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2023

	General Fund
Revenues:	
Revenue from Local Sources:	
Other Revenue from Local Sources:	
Charges for services	\$ 445,294
Total Revenues	\$ 445,294
 Expenditures:	
Support Services:	
Students:	
Psychological	\$ 377,108
General Administration:	
Executive administration	66,976
Total Expenditures	444,084
Net Change in Fund Balances	1,210
 Fund Balance - Beginning of Year	60,515
Fund Balance - End of Year	\$ 61,725

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Prairie Lakes Educational Cooperative

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Government-Wide Statement of Activities
For The Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds \$ 1,210

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

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

7,585

Change in Net Position of Governmental Activities

\$ 8,795

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

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

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

Baltic School District No. 49-1	8%
Chester Area School District No. 39-1	5%
Colman-Egan School District No. 50-6	4%
Dell Rapids School District No. 49-3	16%
Flandreau School District No. 50-3	21%
Garretson School District No. 49-4	8%
Howard School District No. 48-3	8%
Madison Central School District No. 39-2	15%
Tri-Valley School District No. 49-6	15%

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

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

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

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

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government. 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 (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 three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (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, both governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

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

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Prairie Lakes Educational Cooperative, the length of that cycle is sixty days.

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

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

d. Deposits and Investments:

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

e. Program Revenues:

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

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

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

f. 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.

g. Equity Classifications:

Government-Wide Financial Statements:

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

1. Restricted Net position – Consists of net position with constraints placed on 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.
2. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned or unassigned components

h. 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.

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

i. Fund Balance Classification Policies and Procedures:

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

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

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

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

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by a Board Motion or Board Policy.

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

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

The Cooperative has not adopted a formal minimum fund balance policy.

j. Pensions:

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

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

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

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

Investments – In general, SDCL 4-5-6 permits cooperative funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); 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.

3. Receivables and Payables:

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

4. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor’s 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://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.

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

4. Pension Plan: (Continued)

Benefits Provided:

SDRS has four 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 retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will received a 60 percent join 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.

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

4. Pension Plan: (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Cooperative's share of contributions to the SDRS are:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2023	\$ 17,667
2022	16,052
2021	13,590

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

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

Proportionate share of pension asset	\$ 1,581,626
Less proportionate share of net pension restricted for pension benefits	<u>1,582,684</u>
Proportionate share of net pension (asset)	<u><u>\$ (1,058)</u></u>

At June 30, 2023, the Cooperative reported a liability (asset) of (\$1,058) 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 the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Cooperative's proportion was 0.01120400%, which is an increase of 0.0011920% from its proportion measured as of June 30, 2021.

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

4. Pension Plan: (Continued)

For the year ended June 30, 2023, the Cooperative recognized reduction of pension expense of \$(7,585). At June 30, 2023, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,156	\$ 69
Changes in assumption	67,298	58,977
Net difference between projected and actual earnings on pension plan investments	--	2,538
Changes in proportion and difference between District contributions and proportionate share of contributions	173	1,906
District contributions subsequent to the measurement date	17,667	--
Total	\$ 105,294	\$ 63,490

\$17,667 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, 2023. 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,	
2024	\$ 6,475
2025	14,207
2023	(17,312)
2027	20,766
Total	\$ 24,136

Actuarial Assumptions:

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

Inflation	2.25%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.0%
Future COLAs	2.10%

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

4. Pension Plan: (Continued)

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, increased 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 mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

4. Pension Plan: (Continued)

Discount Rate:

The discount rate used to measure the total pension (asset) was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of 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 School's proportionate share of the net pension (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% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 219,860	\$ (1,058)	\$ (181,608)

Pension Plan Fiduciary Net Position:

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

5. Risk Management:

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

Health Insurance:

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

Prairie Lakes Educational Cooperative

Notes to the Financial Statements

June 30, 2023

5. Risk Management: (Continued)

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 for the past several years.

Workers' Compensation:

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

Unemployment Benefits:

The Cooperative has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2023, the Cooperative had no claims filed for unemployment benefits.

6. Significant Contingencies – Litigation:

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

Required Supplementary Information

Prairie Lakes Educational Cooperative
 Budgetary Comparison Schedule – General Fund
 For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget-</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Other Revenue from Local Sources:				
Charges for services	\$ 469,594	\$ 469,594	\$ 445,294	\$ (24,300)
Total Revenues	<u>\$ 469,594</u>	<u>\$ 469,594</u>	<u>\$ 445,294</u>	<u>\$ (24,300)</u>
Expenditures:				
Support Services:				
Students:				
Psychological	\$ 394,379	\$ 394,379	\$ 377,108	\$ 17,271
General Administration:				
Executive administration	71,715	71,715	66,976	4,739
Contingencies	3,500	3,500	--	3,500
Total Expenditures	<u>469,594</u>	<u>469,594</u>	<u>444,084</u>	<u>25,510</u>
Net Change in Fund Balances	<u>--</u>	<u>--</u>	<u>1,210</u>	<u>1,210</u>
Fund Balance - Beginning of Year	<u>60,515</u>	<u>60,515</u>	<u>60,515</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 60,515</u>	<u>\$ 60,515</u>	<u>\$ 61,725</u>	<u>\$ 1,210</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Prairie Lakes Educational Cooperative
Notes to Required Supplementary Information
June 30, 2023

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
- g. 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. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. 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.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund.
- k. Budgets for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Prairie Lakes Educational Cooperative
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0112040%	0.0099810%	0.0100120%	0.0102897%	0.0101504%	0.0096196%	0.0100925%	0.0109446%	0.0118001%
District's proportionate share of net pension liability (asset)	\$ (1,058)	\$ (76,437)	\$ (435)	\$ (1,090)	\$ (237)	\$ (873)	\$ 34,091	\$ (46,419)	\$ (85,015)
District's covered-employee payroll	\$ 267,534	\$ 226,494	\$ 219,732	\$ 218,779	\$ 211,022	\$ 195,449	\$ 191,907	\$ 199,819	\$ 206,348
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	-17.76%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	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 June 30 of the previous fiscal year.

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Prairie Lakes Educational Cooperative
Schedule of the Cooperative Contributions to Pension
South Dakota Retirement System
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 17,667	\$ 16,052	\$ 13,590	\$ 13,184	\$ 13,127
Contributions in relation to the contractually required contribution	<u>17,667</u>	<u>16,052</u>	<u>13,590</u>	<u>13,184</u>	<u>13,127</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 294,448	\$ 267,534	\$ 226,494	\$ 219,732	\$ 218,779
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 12,661	\$ 11,727	\$ 11,515	\$ 11,989	\$ 12,381
Contributions in relation to the contractually required contribution	<u>12,661</u>	<u>11,727</u>	<u>11,515</u>	<u>11,989</u>	<u>12,381</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 211,022	\$ 195,449	\$ 191,907	\$ 199,819	\$ 206,348
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Prairie Lakes Educational Cooperative

Notes to the Pension Schedules
For the Year Ended June 30, 2023

Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflects numerous changes in 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 6.5% 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 2.25%.

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

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

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

Prairie Lakes Educational Cooperative
Notes to the Pension Schedules
For the Year Ended June 30, 2023 (Continued)

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

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

Actuarial Method Changes

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