D. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2018
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% for 10 years and 3.25% thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality assumptions	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

The long-term expected rate of return on pension plan investments was determined using a building-block 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%
	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2017 is 6 years. The “Difference Between Expected and Actual Experience,” “Changes of Assumptions,” and “Changes in Proportion” use the amortization period of 6 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is over a period of 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2017 valuation

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. This is an increase from the discount rate at the prior measurement date of 5.12 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

At June 30, 2019, Sourcewell and Sourcewell Technology reported liabilities of $1,217,012 and $608,999, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Sourcewell and Sourcewell Technology's proportions of the net pension liability were based on their contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. Sourcewell's proportionate share was 0.0194% at the end of the measurement period and 0.0139% for the beginning of the year. Sourcewell Technology's proportionate share was 0.0097% at the end of the measurement period and 0.0116% for the beginning of the year.

Sourcewell

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by Sourcewell as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with Sourcewell were as follows:

Employer's proportionate share of net pension liability	$ 1,217,012
State's proportionate share of the net pension liability associated with the employer	$ 114,359

For the year ended June 30, 2019, Sourcewell recognized pension expense of ($649,434). It also recognized $79,815 as an increase to pension expense for the support provided by direct aid.

At June 30, 2019, Sourcewell reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 206	$ 18,388
Changes in actuarial assumptions	834,097	1,952,649
Difference between projected and actual investment earnings	-	124,120
Change in proportion and differences between contributions made and employer's proportionate share of contributions	1,517,898	-
Employer's contributions to TRA subsequent to the measurement date	92,441	-
Total	$ 2,444,642	$ 2,095,157

$92,441 was reported as deferred outflows of resources related to pensions resulting from Sourcewell contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	$ 197,520
2021	178,777
2022	134,524
2023	(107,857)
2024	(145,920)

Sourcewell Technology

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by Sourcewell Technology as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with Sourcewell Technology were as follows:

Employer's proportionate share of net pension liability	$ 608,999
State's proportionate share of the net pension liability associated with the employer	$ 57,180

For the year ended June 30, 2019, Sourcewell Technology recognized pension expense of ($479,758). It also recognized $39,908 as an increase to pension expense for the support provided by direct aid.

At June 30, 2019, Sourcewell Technology reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 303	$ 14,432
Changes in actuarial assumptions	1,254,592	1,081,013
Difference between projected and actual investment earnings	-	18,183
Change in proportion and differences between contributions made and employer's proportionate share of contributions	43,302	941,267
Employer's contributions to TRA subsequent to the measurement date	41,970	-
Total	$ 1,340,167	$ 2,054,895

$41,970 was reported as deferred outflows of resources related to pensions resulting from Sourcewell Technology contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	$ 13,924
2021	(10,786)
2022	(69,361)
2023	(462,678)
2024	(227,797)

G. Pension Liability Sensitivity

Sourcewell

The following presents Sourcewell's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the liability measured using one percent lower and one percent higher:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 1,931,394	$ 1,217,012	$ 627,652

Sourcewell's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

Sourcewell Technology

The following presents Sourcewell Technology's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the liability measured using one percent lower and one percent higher:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 966,479	$ 608,999	$ 314,080

Sourcewell Technology's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling (651-296-2409 or 800-657-3669.

Note 9 - Other Post-Employment Benefits

OPEB Summary Schedules

Sourcewell and the blended component unit, Sourcewell Technology, have separate other post-employment benefit actuarial valuations performed due to having unique employer identification numbers, thereby requiring note disclosures by entity. The following are schedules to assist in tying the entity note disclosures to the fund and activities financial statements.

Net pension liability and related deferred inflows and outflows by activities type:

	Governmental Activities	Business-Type Activities				
		Risk Management	Cooperative Purchasing	Sourcewell Technology	Total	Total
Other post-employment benefits liability	$ 206,739	$ 3,888	$ 61,291	$ 76,107	$ 141,286	$ 348,025
Deferred outflows of resources	34,093	641	10,107	5,413	16,161	50,254
Deferred inflows of resources	11,377	214	3,373	-	3,587	14,964

Net pension liability and related deferred inflows and outflows by entity:

	Sourcewell	Sourcewell Technology	Total
Other post-employment benefits liability	$ 271,918	$ 76,107	$ 348,025
Deferred outflows of resources	44,841	5,413	50,254
Deferred inflows of resources	14,964	-	14,964

A. Plan Descriptions

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in Sourcewell's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55 with at least 3 years of service. In addition, the senior leadership team has subsidized benefits. Benefit provisions are established through negotiations between Sourcewell and the union representing cooperative employees and are renegotiated at the end of each contract period. A separately issued report is not available.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $735 for single and $1,694 for family coverage for Sourcewell and $537 for single and $1,459 for family coverage for Sourcewell Technology. The implicit rate subsidy is only until Medicare eligibility. The Sourcewell senior leadership team employees who have reached age 55 with at least 5 years of service will receive a retiree benefit of Sourcewell contributing the cost of the single coverage premium until Medicare eligibility. There are no subsidized post-employment dental or life insurance benefits for Sourcewell or Sourcewell Technology.

C. Employees Covered by Benefit Terms

Sourcewell

At the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	141
	144

Sourcewell Technology

At the valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	69
	70

D. Total OPEB Liability

Sourcewell and Sourcewell Technology’s total OPEB liabilities of $348,025 and $76,107, respectively, were measured as of July 1, 2018 and was determined by an actuarial valuation as of July 1, 2018 and July 1, 2017, respectively.

F. Actuarial Assumptions

Sourcewell

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent	
Salary increases	3.00 percent	
Discount rate	3.50 percent	
Healthcare cost trend rates	6.50 percent as of July 1, 2018 grading to 5.00% over 6 years	
Retiree plan participation	Future retirees electing coverage:	
	Pre-65 subsidy available:	100%
	Pre-65 subsidy not available:	25%
Percent of married retirees electing spouse coverage	Percent future retirees electing pre-65 coverage:	
	Spouse subsidy available:	N/A
	Spouse subsidy not available:	25%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2017.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study as of July 1, 2018.

Sourcewell Technology

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent	
Salary increases	3.00 percent	
Discount rate	3.40 percent	
Healthcare cost trend rates	6.50 percent as of July 1, 2017 grading to 5.00% over 6 years	
Retiree plan participation	Future retirees electing coverage:	
	Pre-65 subsidy available:	N/A
	Pre-65 subsidy not available:	30%
Percent of married retirees electing spouse coverage	Percent future retirees electing pre-65 coverage:	
	Spouse subsidy available:	N/A
	Spouse subsidy not available:	10%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the RP-2014 White Collar Mortality Tables (de-trended to 2006) with MP-2016 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study as of July 1, 2017.

G. Changes in the Total OPEB Liability

Sourcewell

Balance at June 30, 2018	$	214,716
Changes from the Prior Year:		
Service cost		53,450
Interest cost		8,845
Assumption changes		7,450
Plan changes		16,963
Differences between expected and actual experience		(13,309)
Benefit payments		(16,197)
Net Change		57,202
Balance at June 30, 2019	$	271,918

Sourcewell Technology

Balance at June 30, 2018	$	68,730
Changes from the Prior Year:		
Service cost		8,812
Interest cost		2,569
Benefit payments		(4,004)
Net Change		7,377
Balance at June 30, 2019	$	76,107

H. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

Sourcewell

The following presents the total OPEB liability of Sourcewell, as well as what Sourcewell's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.50%	3.50%	4.50%
Total OPEB Liability	$ 289,727	$ 271,918	$ 255,126

The following presents the total OPEB liability of Sourcewell, as well as what Sourcewell's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Total OPEB Liability	$ 244,950	$ 271,918	$ 303,674

Sourcewell Technology

The following presents the total OPEB liability of Sourcewell Technology, as well as what Sourcewell Technology's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.40%	3.40%	4.40%
Total OPEB Liability	$ 79,537	$ 76,107	$ 72,813

The following presents the total OPEB liability of Sourcewell Technology, as well as what Sourcewell Technology's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Total OPEB Liability	$ 70,493	$ 76,107	$ 82,489

I. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

Sourcewell

For the year ended June 30, 2019, Sourcewell recognized OPEB expense of $77,506. At June 30, 2019, Sourcewell reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	$ 6,208	$ 3,874
Liability gains	-	11,090
Employer contributions made after the measurement date	38,633	-
	$ 44,841	$ 14,964

$38,633 reported as deferred outflows of resources related to OPEB resulting from Sourcewell's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020.

$6,208 reported as deferred outflows of resources and $3,874 as deferred inflows of resources related to OPEB resulting from changes in assumptions and $11,090 reported as deferred inflows of resources related to liability gains will be recognized in OPEB expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	$ (1,752)
2021	(1,752)
2022	(1,752)
2023	(1,752)
2024	(1,748)
Thereafter	-

Sourcewell Technology

For the year ended June 30, 2019, Sourcewell Technology recognized OPEB expense of $11,044. At June 30, 2019, Sourcewell Technology reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made after the measurement date	$ 5,413	$ -

$5,413 reported as deferred outflows of resources related to OPEB resulting from Sourcewell's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Note 10 - Transfer of Operations Business Combination

On July 1, 2018, Sourcewell entered into a joint powers agreement transferring the operational assets of Sourcewell Technology (formerly TIES) to Sourcewell. Under the joint powers agreement, Sourcewell Technology will continue to operate as a legally separate entity, but as a blended component unit of Sourcewell for reporting purposes, resulting in a decrease in beginning business-type activities net position from $48,305,380 per the June 30, 2018 audited financial statements, to $42,837,648, due to a Sourcewell Technology net deficit of ($5,467,732) as of June 30, 2018.

The primary purposes of the joint powers agreement and resulting business combination was due to Soucewell Technology's financial difficulties and the goal of minimizing the negative financial impact to members while also minimizing the disruption of essential services to those members.

As of the transfer of operations date of July 1, 2018, Sourcewell Technology's financial statements carried the following amounts that were transferred to Sourcewell:

Assets	
Current	$ 6,668,445
Restricted	41
Capital	8,699,965
Total assets	15,368,451
Deferred Outflows of Resources	3,797,342
Liabilities	
Current	8,584,701
Long-term	12,572,746
Total liabilities	21,157,447
Deferred Outflows of Resources	3,476,078
Net Position (Deficit)	
Net investment in capital assets	4,920,693
Restricted for lease	41
Unrestricted	(10,388,466)
Total Net Deficit	$ (5,467,732)

No significant adjustments were required to bring Sourcewell Technology's June 30, 2018 financial statements into conformity with GAAP and Sourcewell's accounting policies.

Note 11 - Special Items

The Sourcewell Technology Fund incurred three special items as a result of a reorganization agreement entered into with Sourcewell. Under the agreement, a building that originally housed Sourcewell Technology's operations was sold, with proceeds in excess of the outstanding balance on the related capital lease to be paid out to members of the organization in the amount of $2,083,848. Member support fees of $606,070 were charged to cover operating deficits incurred by Sourcewell Technology during the transfer of operations to Sourcewell. Lastly, member withdrawal fees were charged to each of the prior 45 member districts based on the number of students at the district, for a total of $5,049,472 in fees.

Note 12 - Joint Powers Agreement

Effective July 1, 2018, Sourcewell entered into a Joint Powers Agreement ("the Agreement") with Metro ECSU for the purpose of ensuring Sourcewell Technology's continuity and development of informational and technological products, services, programs, solutions, and support, with a primary emphasis on the K-12 sector. Sourcewell and Metro ECSU are assigned as governing members of Sourcewell Technology, with member districts of Sourcewell Technology being limited members of the Joint Powers. As a result of the powers assigned to Sourcewell in the Agreement, Sourcewell Technology is required to be reported as a blended component unit. The agreement is effective indefinitely until governing members choose to withdraw, or the Joint Board approves a termination or dissolution.

Note 13 - Related Party Transactions

Sourcewell and Metro ECSU are governing members of a Joint Powers Board governing over Sourcewell Technology, a blended component unit of Sourcewell. Metro ECSU is an educational service cooperative in Arden Hills, Minnesota, that provides various educational services to Sourcewell. During the year ended June 30, 2019, Sourcewell made payments totaling $113,297 to Metro ECSU, $109,000 related to the joint powers and reorganization agreement disclosed in Note 12, and an additional $4,297 for miscellaneous services.

Note 14 - Deficit Net Position

The Sourcewell Technology fund has a deficit net position of $4,289,187. Management anticipates that the fund will become self-sustaining in the near future as a result of extinguishing $5,851,295 of debt in 2019 and a focus on higher margin revenue streams. Operating deficits and long-standing deficit net position will be eliminated with higher margin revenue streams and, if needed, transfers from the General Fund.

Note 15 - Issued But Non-effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by Sourcewell. The first statement issued but not yet implemented that will significantly affect Sourcewell is Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement will be implemented at Sourcewell in the year ended June 30, 2020.

The second statement issued but not yet implemented that will significantly affect Sourcewell is Statement No. 90, *Majority Equity Interests*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This statement will be implemented at Sourcewell in the year ended June 30, 2020.

The third statement issued but not yet implemented that will significantly affect Sourcewell is Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at Sourcewell in the year ended June 30, 2021.

The fourth statement issued but not yet implemented that will significantly affect Sourcewell is Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This statement will be implemented at Sourcewell in the year ended June 30, 2021.

The final statement issued but not yet implemented that will significantly affect Sourcewell is Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required noted disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognized assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. This statement will be implemented at Sourcewell in the year ended June 30, 2022.

Management has not yet determined the effect these pronouncements will have on Sourcewell's financial statements.

Required Supplementary Information
June 30, 2019

Sourcewell
Staples, Minnesota

Schedule of Changes in Sourcewell's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2019	2018
Service cost	$ 53,450	$ 37,868
Interest cost	8,845	6,243
Assumption changes	7,450	(5,424)
Plan changes	16,963	-
Differences between expected and actual experience	(13,309)	-
Benefit payments	(16,197)	(2,765)
Net change in total OPEB liability	57,202	35,922
Total OPEB liability - beginning	214,716	178,794
Net OPEB liability, end of year	$ 271,918	$ 214,716
Covered-employee payroll	$ 11,358,701	$ 6,879,565
District's total OPEB liability as a percentage of covered-employee payroll	2.39%	3.12%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Sourcewell will present information for those years for which information is available.

Notes to the Schedule of Changes in Sourcewell's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Schedule of Changes in Sourcewell Technology's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2019	2018
Service cost	$ 8,812	$ 8,555
Interest cost	2,569	2,489
Benefit payments	(4,004)	(13,821)
Net change in total OPEB liability	7,377	(2,777)
Total OPEB liability - beginning	68,730	71,507
Net OPEB liability, end of year	$ 76,107	$ 68,730
Covered-employee payroll	$ 6,249,847	$ 6,067,813
District's total OPEB liability as a percentage of covered-employee payroll	1.22%	1.13%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Sourcewell Technology will present information for those years for which information is available.

Notes to the Schedule of Changes in Sourcewell Technology's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The table below illustrates how Sourcewell's earned revenues and investment income compare to related costs of loss and other expenses assumed by Sourcewell as of the end of each of the last 10 years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of Sourcewell including overhead and claims expense not allocable to individual claims. (3) This line shows Sourcewell's incurred claims and allocated claim adjustment expense as reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 11 rows shows the cumulative amounts paid as of the end of successive years for each policy year.

	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19
1. Net earned required contribution and investment revenues	$ 1,859,996	$ 434,105	$ (1,359,385)	$ 1,690,357	$ 1,591,039	$ (526,270)	$ 525,610	$ (503,137)	$ (1,231,893)	$ (1,378,313)
2. Unallocated expenses	475,715	382,332	424,854	398,368	409,470	407,616	430,012	456,522	496,115	617,648
3. Estimated incurred claims, both paid and accrued, end of policy year	13,390,250	16,098,719	22,810,670	21,636,861	44,500,559	27,787,033	27,951,506	25,257,099	29,277,391	34,306,088
4. Payments as of:										
End of policy year	12,674,966	15,643,177	21,555,495	19,371,439	42,412,407	26,014,825	25,814,147	22,069,158	28,838,965	33,203,766
One year later	13,743,244	17,265,498	23,284,339	22,146,866	44,053,472	26,714,911	28,192,765	24,345,943	31,123,597	
Two years later	13,772,140	17,277,454	23,219,855	21,137,123	44,039,282	26,685,401	28,178,420	24,350,824		
Three years later	13,109,824	17,209,208	21,412,512	21,135,428	44,038,972	26,684,254	28,171,377			
Four years later	13,101,547	17,277,455	21,412,446	21,135,389	44,046,716	26,684,254				
Five years later	13,109,822	14,533,886	21,412,434	21,135,389	44,046,716					
Six years later	13,121,638	14,533,886	21,412,434	21,135,389						
Seven years later	13,121,638	14,533,886	21,412,434							
Eight years later	13,121,638	14,533,886								
Nine years later	13,121,638									
Ten years later										

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (c) (a+b)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2018	0.1239%	$ 6,873,464	$ 225,525	$ 7,098,989	$ 8,332,030	82.5%	79.5%
PERA	6/30/2017	0.1000%	$ 6,383,934	$ 80,304	$ 6,464,238	$ 6,446,014	99.0%	75.9%
PERA	6/30/2016	0.0853%	$ 6,925,937	$ 90,441	$ 7,016,378	$ 5,291,333	130.9%	68.9%
PERA	6/30/2015	0.0776%	$ 4,021,635	N/A	$ 4,021,635	$ 4,486,773	89.6%	78.2%
PERA	6/30/2014	0.0687%	$ 3,227,182	N/A	$ 3,227,182	$ 3,607,273	89.5%	78.8%
TRA	6/30/2018	0.0194%	$ 1,217,012	$ 114,359	$ 1,331,371	$ 1,024,674	118.8%	78.1%
TRA	6/30/2017	0.0139%	$ 1,217,012	$ 114,359	$ 1,331,371	$ 737,900	164.9%	51.6%
TRA	6/30/2016	0.0103%	$ 2,456,796	$ 245,862	$ 2,702,658	$ 535,301	459.0%	44.9%
TRA	6/30/2015	0.0096%	$ 593,855	$ 72,994	$ 666,849	$ 492,907	120.5%	76.8%
TRA	6/30/2014	0.0093%	$ 428,537	$ 30,286	$ 458,823	$ 467,255	91.7%	81.5%

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

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/2019	$ 648,641	$ 648,641	$ -	$ 8,648,547	7.5%
PERA	6/30/2018	$ 624,632	$ 624,632	$ -	$ 8,332,030	7.5%
PERA	6/30/2017	$ 483,559	$ 483,559	$ -	$ 6,446,014	7.5%
PERA	6/30/2016	$ 396,850	$ 396,850	$ -	$ 5,291,333	7.5%
PERA	6/30/2015	$ 336,508	$ 336,508	$ -	$ 4,486,773	7.5%
TRA	6/30/2019	$ 92,441	$ 92,441	$ -	$ 1,200,532	7.7%
TRA	6/30/2018	$ 76,851	$ 76,851	$ -	$ 1,024,674	7.5%
TRA	6/30/2017	$ 55,343	$ 55,343	$ -	$ 737,900	7.5%
TRA	6/30/2016	$ 40,141	$ 40,141	$ -	$ 535,301	7.5%
TRA	6/30/2015	$ 36,968	$ 36,968	$ -	$ 492,907	7.5%

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

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

- PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.
- TRA's CAFR may be obtained on the TRA's website at www.MinnesotaTRA.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (c) (a+b)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2018	0.0837%	$ 4,643,333	$ 152,406	$ 4,795,739	$ 5,629,627	82.5%	79.5%
PERA	6/30/2017	0.1213%	$ 7,743,712	$ 97,367	$ 7,841,079	$ 7,826,989	98.9%	75.9%
PERA	6/30/2016	0.1203%	$ 9,767,764	$ 127,601	$ 9,895,365	$ 7,476,317	130.6%	68.9%
PERA	6/30/2015	0.1385%	$ 7,177,790	N/A	$ 7,177,790	$ 8,004,987	89.7%	78.2%
PERA	6/30/2014	0.1562%	$ 7,337,493	N/A	$ 7,337,493	$ 8,197,704	89.5%	78.8%
TRA	6/30/2018	0.0097%	$ 608,999	$ 57,180	$ 666,179	$ 535,707	113.7%	78.1%
TRA	6/30/2017	0.0116%	$ 2,315,570	$ 223,463	$ 2,539,033	$ 622,307	372.1%	51.6%
TRA	6/30/2016	0.0155%	$ 3,697,120	$ 372,056	$ 4,069,176	$ 804,507	459.6%	44.9%
TRA	6/30/2015	0.0141%	$ 872,224	$ 106,787	$ 979,011	$ 715,933	121.8%	76.8%
TRA	6/30/2014	0.0150%	$ 691,189	$ 48,760	$ 739,949	$ 685,937	100.8%	81.5%

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

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/2019	$ 384,718	$ 384,718	$ -	$ 5,129,573	7.5%
PERA	6/30/2018	$ 422,222	$ 422,222	$ -	$ 5,629,627	7.5%
PERA	6/30/2017	$ 586,059	$ 586,059	$ -	$ 7,814,120	7.5%
PERA	6/30/2016	$ 560,778	$ 560,778	$ -	$ 7,477,040	7.5%
PERA	6/30/2015	$ 600,374	$ 600,374	$ -	$ 8,004,987	7.5%
TRA	6/30/2019	$ 41,970	$ 41,970	$ -	$ 545,065	7.7%
TRA	6/30/2018	$ 40,178	$ 40,178	$ -	$ 535,707	7.5%
TRA	6/30/2017	$ 46,673	$ 46,673	$ -	$ 622,307	7.5%
TRA	6/30/2016	$ 60,338	$ 60,338	$ -	$ 804,507	7.5%
TRA	6/30/2015	$ 53,695	$ 53,695	$ -	$ 715,933	7.5%

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

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

- PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.
- TRA's CAFR may be obtained on the TRA's website at www.MinnesotaTRA.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Other Supplementary Information
June 30, 2019

Sourcewell
Staples, Minnesota

Federal Grantor/Pass-Through Grantor/ Program Title	Pass Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Education			
Passed through Minnesota Department of Education:			
Special Education Cluster (IDEA)			
Special Education Grants to States - Regional Low Incidence	0924-83-000 Formula - 421	84.027	$ 498,265
Special Education Grants to States - CSPD	0924-83-000 Formula - 432	84.027	117,221
Special Education Grants to States - Centers of Excellence CSPD	0924-83-000 Formula - 430	84.173	92,854
Total Special Education Cluster (IDEA)			708,340
Passed through Minnesota Department of Education:			
Special Education Grants to States - Centers of Excellence CSPD	0924-83-000 Formula - 446	84.181	50,293
Total Expenditures of Federal Awards			$ 758,633

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal funding activity of Sourcewell under programs of the federal government for the year ended June 30, 2019 and is presented on the modified accrual basis of accounting. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, an Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Sourcewell, it is not intended to and does not present the financial position, changes in net position, or cash flows of Sourcewell.

Note 2 - Summary of Significant Accounting Policies

Governmental fund types account for Sourcewell's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are reported on the modified accrual basis – when they become a demand on current available financial resources. No federal financial assistance has been provided to a subrecipient. Sourcewell's summary of significant accounting policies is presented in Note 1 in the organization's basic financial statements.

Note 3 - Indirect Cost Rate

The Organization has not elected to use the 10% de minimis cost rate.

Fiscal Compliance Report - 6/30/2019

Help Logoff

District: REGION 5 - ECSU-5 (924-83)

Back Print

01 GENERAL FUND	Audit	UFARS	Audit - UFARS
Total Revenue	$49,544,581	$49,544,580	$1
Total Expenditures	$52,679,244	$52,679,243	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$660,925	$660,925	$0
Restricted / Reserved:			
4.03 Staff Development	$0	$0	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$53,477,048	$53,477,048	$0

02 FOOD SERVICES	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$0	$0	$0
4.32 E.C.F.E	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$0	$0	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$145,800	$145,800	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

20 INTERNAL SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$38,779,334	$38,779,335	($1)
Total Expenditures	$39,535,617	$39,535,619	($2)
4.22 Unassigned Fund Balance (Net Assets)	$4,478,195	$4,478,194	$1

25 OPEB REVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Fiscal Compliance Report - 6/30/2019

District: SOURCEWELL TECHNOLOGY (925-82)

Help Logoff
Back Print

01 GENERAL FUND	Audit	UFARS	Audit - UFARS
Total Revenue	$23,279,680	$23,279,681	($1)
Total Expenditures	$20,668,035	$20,668,032	$3
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.03 Staff Development	$0	$0	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$3,845,111	$3,845,113	($2)

02 FOOD SERVICES	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$0	$0	$0
4.32 E.C.F.E	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$0	$0	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

20 INTERNAL SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

The Minnesota Department of Education has requested to have Cooperatives and Regions report their data in UFARS without the effects of GASB Statements No. 68 and 75 to have consistent data among reporting entities in UFARS. The following tables illustrate the difference between the audited financial statements (GAAP) and UFARS.

The governmental General Fund and proprietary Cooperative Purchasing Fund are required to be reported jointly as the General Fund of the UFARS Fiscal Compliance Report, while the proprietary Risk Management Fund is required to be reported in the internal service fund.

Sourcewell Technology is a legally separate entity from Sourcewell and is required to submit to UFARS individually. The Schedule of Differences between UFARS and GAAP table for Sourcewell Technology is located on page 73.

Governmental General Fund and Proprietary Cooperative Purchasing Fund

	UFARS	GAAP		
	General Fund	General Fund	Cooperative Purchasing	Difference
Statement of Net Position:				
Deferred Outflows of Resources				
Other post-employment benefits	$ -	$ -	$ 10,107	$ 10,107
Pension Plans	-	-	696,429	696,429
Liabilities				
Long-term liabilities				
Due in more than one year:				
Other post-employment benefits	-	-	61,291	61,291
Net pension liability	-	-	1,549,177	1,549,177
Deferred Inflows of Resources				
Other post-employment benefits	-	-	3,373	3,373
Pension Plans	-	-	477,186	477,186
Fund Balance and Net Position				
GAAP unrestricted		2,170,654	49,107,565	
GAAP restricted		-	814,338	
UFARS Unrestricted	53,477,048	2,170,654	49,921,903	(1,384,491)
Nonspendable	660,925	660,925	-	-
Statement of Revenues, Expenditures, and Changes in Fund Balance and Net Position				
Operating Expenses				
Operations				
Revenues	49,544,581	4,182,183	45,362,398	-
Expenditures	52,679,244	35,620,139	17,031,787	(27,318)

*Differences in expenditures relate to pension expense and OPEB expense

Proprietary Risk Management Fund

	UFARS Internal Service	GAAP Risk Management	Difference
Statement of Net Position:			
Deferred Outflows of Resources			
Other post-employment benefits	$ -	$ 641	$ 641
Pension Plans	-	44,093	44,093
Liabilities			
Long-term liabilities			
Due in more than one year -			
Other post-employment benefits	-	3,888	3,888
Net pension liability	-	98,084	98,084
Deferred Inflows of Resources			
Other post-employment benefits	-	214	214
Pension Plans	-	31,812	31,812
Net Position			
GAAP Restricted		157,928	157,928
GAAP Unrestricted		4,231,003	4,231,003
UFARS Unrestricted	4,478,195	4,388,931	(89,264)
Statement of Revenues, Expenditures, and Changes in Net Position			
Operating Expenses			
Operations			
Revenues	38,779,334	38,779,334	-
Expenditures	39,535,617	39,530,760	(4,857)

*Differences in expenditures relate to pension expense and OPEB expense

Proprietary Sourcewell Technology

	UFARS	GAAP	
	General Fund	Sourcewell Technology	Difference
Statement of Net Position:			
Deferred Outflows of Resources			
Other post-employment benefits	$ -	$ 5,413	$ 5,413
Pension Plans	-	2,578,634	2,578,634
Liabilities			
Long-term liabilities			
Due in more than one year -			
Net pension liability	-	5,252,332	5,252,332
Deferred Inflows of Resources			
Pension Plans	-	5,466,011	5,466,011
Net Position			
Unrestricted	3,845,111	(4,289,185)	(8,134,296)
Statement of Revenues, Expenditures, and Changes in Net Position			
Operating Expenses			
Operations			
Transfers from Sourcewell		6,410,643	
Revenues		16,869,037	
Total revenues per UFARS	23,279,680	23,279,680	-
Expenditures*	20,668,035	19,064,313	(1,603,722)

*Differences in expenditures relate to pension expense and OPEB expense

Note: The Sourcewell Technology UFARS compliance table is separate from Sourcewell, due to being two legally separate entities.

Sourcewell Technology Fund
Statement of Net Position
Year Ended June 30, 2019

	Sourcewell Technology Fund
Assets	
Cash and investments	$ 3,670,634
Receivables	
Accounts, net of allowance of $20,000	14,345
Due from other governmental units	300,720
Prepaid items	655,670
Capital Assets, net of accumulated depreciation where applicable	
Building and building improvements	666,974
Equipment	645,879
Total assets	5,954,222
Deferred Outflows of Resources	
Other post-employment benefits	5,413
Pension plans	2,578,634
Total deferred outflows of resources	2,584,047
Liabilities	
Accounts payable	584,826
Deferred rent payable	71,830
Accrued payroll	136,832
Due to other governmental units	794,507
Unearned revenue	106,487
Long-term liabilities	
Due within one year:	
Compensated absences	191,788
Capital leases payable	146,734
Due in more than one year:	
Other post-employment benefits	76,107
Net pension liability	5,252,332
Total liabilities	7,361,443
Deferred Inflows of Resources	
Pension plans	5,466,011
Net Position (Deficit)	
Net investment in capital assets	1,166,119
Unrestricted	(5,455,304)
Total net deficit	$ (4,289,185)

Sourcewell Technology Fund
Statement of Revenues, Expenditures, and Changes in Net Position
Year Ended June 30, 2019

	Sourcewell Technology Fund
Operating Revenues	
Sales	$ 1,173,574
Cost of sales	1,020,031
Gross profit	153,543
Charges for Services, State Aid, and Other	
Software, license, and support fees	5,986,066
Local district lease levy	589,609
Transportation fees	35,548
Service fees	348,115
Internet fees	2,166,929
Conference fees	651,174
State aid revenue	895,327
Other operating revenues	323,331
Total charges for services, state aid, and other	10,996,099
Total operating revenues	11,149,642
Operating Expenses	
Salaries and wages	6,064,668
Employee benefits	512,596
Purchased services	6,051,633
Supplies and materials	74,854
Travel	294,810
Indirect costs from governmental activities	1,410,643
Insurance	201,469
Telephone, communications, and utilities	226,800
Operating leases and rent	433,764
Repairs and maintenance	33,190
Depreciation	713,520
State aid passed to members	805,939
Other expenses	36,218
Total operating expenses	16,860,104
Operating Loss	(5,710,462)
Nonoperating Revenues (Expenses)	
Interest income	63,853
Capital lease interest expense	(120,361)
Loss on sale of capital assets	(3,036,820)
Total nonoperating revenues (expenses)	(3,093,328)
Loss Before Special Items and Transfers	(8,803,790)
Special Items	
Member withdrawal fees	5,049,472
Member support fees	606,070
Reorganization payments to members	(2,083,848)
Total special items	3,571,694
Transfers In	6,410,643
Change in Net Deficit	1,178,547
Net Deficit, Beginning of Year	(5,467,732)
Net Deficit, End of Year	$ (4,289,185)

	Sourcewell Technology Fund
Operating Activities	
Receipts from sales to customers	$ 14,748,337
Receipts from state aid	895,327
Payments for interfund balances	(1,410,643)
Payments to suppliers for goods and services	(9,387,611)
Payments made to employees	(6,713,424)
State aid payments to members	(805,939)
Payments for other operating expenses	35,610
Net cash used for operating activities	(2,638,343)
Investing Activities	
Proceeds from sale of capital assets	4,422,496
Purchase of capital assets	(785,724)
Investment income	63,853
Net cash from investment activities	3,700,625
Noncapital financing activities	
Total other post-employment benefits liability and related deferred inflows and outflows of resources	1,964
Net pension liability and related deferred inflows and outflows of resources	(1,598,309)
Principal payments on line of credit	(2,218,757)
Member withdrawal fees	5,049,472
Member support fees	606,070
Reorganization payments to members	(2,083,848)
Transfer from other funds	6,410,643
Net cash from noncapital financing activities	6,167,235
Capital and Related Financing Activities	
Capital lease interest payments	(174,837)
Principal payments on capital leases	(807,538)
Principal payments on certificates of participation payable	(2,825,000)
Net cash used for capital and related financing activities	(3,807,375)
Net Change in Cash and Investments	3,422,142
Cash and Investments, July 1	248,492
Cash and Investments, June 30	$ 3,670,634
Reconciliation of Operating Loss to Net Cash used for Operating Activities	
Operating loss	$ (5,710,464)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	713,520
Changes in assets and liabilities	
Accounts receivable	254,071
Due from other governmental units	5,247,148
Prepaid items	(51,960)
Accounts payable	(2,643,912)
Deferred rent payable	71,830
Accrued payroll	(8,659)
Due to other governmental units	(395,250)
Unearned revenue	12,834
Compensated absences	(127,501)
Net cash used for operating activities	$ (2,638,343)

Additional Reports
June 30, 2019

Sourcewell

Staples, Minnesota

CPAs & BUSINESS ADVISORS

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 Board of Directors of
Sourcewell
Staples, Minnesota

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sourcewell, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Sourcewell's basic financial statements and have issued our report thereon dated November 22, 2019.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Sourcewell'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 Sourcewell internal control. Accordingly, we do not express an opinion on the effectiveness of Sourcewell'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.

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. However, material weaknesses may exist that have not been identified.

4310 17th Ave. S. | P.O. Box 2545 | Fargo, ND 58108-2545 | T 701.239.8500 | F 701.239.8600 | EOE

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Sourcewell'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*.

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

Eide Bailly LLP

Fargo, North Dakota
November 22, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Sourcewell
Staples, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Sourcewell's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sourcewell's major federal programs for the year ended June 30, 2019. Sourcewell's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of Sourcewell's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sourcewell's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Sourcewell's compliance.

Opinion on Each Major Federal Program

In our opinion, Sourcewell complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal programs for the year ended June 30, 2019.

4310 17th Ave. S. | P.O. Box 2545 | Fargo, ND 58108-2545 | T 701.239.8500 | F 701.239.8600 | EOE

Report on Internal Control over Compliance

Management of Sourcewell is responsible for establishing and maintaining effective internal control over compliance with compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sourcewell's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sourcewell's internal control over compliance.

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

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

This 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.

Eide Bailly LLP

Fargo, North Dakota
November 22, 2019

Report on *Minnesota Legal Compliance*

To the Board of Directors of
Sourcewell
Staples, Minnesota

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, each major fund, and the aggregate remaining fund information of Sourcewell as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for other political subdivisions. Our audit considered all of the listed categories.

In connection with our audit no items came to our attention that caused us to believe that Sourcewell failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions.* However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Sourcewell's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
November 22, 2019

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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 accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Special Education Cluster (IDEA)	
Special Education Grants to States - Regional Low Incidence	84.027
Special Education Grants to States - CSPD	84.027
Special Education Grants to States - Centers of Excellence CSPD	84.173

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Minnesota Legal Compliance Findings

None

Section IV –Federal Award Findings and Questioned Costs

None