



Financial Statements
June 30, 2020

Sourcewell

Staples, Minnesota

Official Directory (unaudited)	1
Independent Auditor’s Report	2
Management’s Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds	
Balance Sheet	15
Reconciliation of Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	19
Proprietary Funds	
Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Net Position	21
Statement of Cash Flows	22
Notes to Financial Statements	23
Required Supplementary Information	
Schedule of Changes in Sourcewell’s Total OPEB Liability and Related Ratios	62
Schedule of Changes in Sourcewell Technology’s Total OPEB Liability and Related Ratios	63
Claims Development Schedule	64
Schedules of Employer’s Share of Net Pension Liability and Schedule of Employer’s Contributions	
Sourcewell	65
Sourcewell Technology	66
Notes to the Schedules of Employer’s Share of Net Pension Liability and Schedule of Employer’s Contributions	67
Other Supplementary Information	
Schedule of Expenditures of Federal Awards	72
Uniform Accounting and Reporting Standards Compliance Table	
Sourcewell	73
Sourcewell Technology	74
Schedules of Differences between UFARS and GAAP	75
Sourcewell Technology Fund	
Statement of Net Position	78
Statement of Revenues, Expenditures, and Changes in Net Position	79
Statement of Cash Flows	80

Additional Reports

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>	81
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	83
Report on <i>Minnesota Legal Compliance</i>	85
Schedule of Findings and Questioned Costs	86

Name	Position	Term Expires
Elected		
Mike Wilson - Sub-Region IV	Chairperson	12/31/2021
Linda Arts - Sub-Region II	Vice-Chairperson	12/31/2023
Scott Veronen - Sub-Region I	Clerk	12/31/2022
Sharon Thiel - Sub-Region I	Treasurer	12/31/2021
Chris Kircher - Sub-Region III	Director	12/31/2023
Ryan Thomas - Sub-Region III	Director	12/31/2020
Sara Nagel - Sub-Region II	Director	12/31/2022
Greg Zylka - Sub-Region IV	Director	12/31/2020
Management		
Dr. Chad Coquette	Executive Director	
Mike Carlson	Director of Finance	
Michael Brandt	Manager of Accounting, Auditing, and Financial Reporting	
Jonathan Daniel	Sourcewell Technology VP of Finance	



Independent Auditor's Report

To the Board of Directors of
Sourcewell
Staples, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Sourcewell, Staples, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Sourcewell's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Sourcewell, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in Sourcewell's total OPEB liability and related ratios, schedule of changes in Sourcewell Technology's total OPEB liability and related ratios, claims development schedule, schedules of employer's share of net pension liability, schedules of employer contributions, and notes to the schedules of employer's share of net pension liability and schedules of employer's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sourcewell's basic financial statements. The official directory and uniform accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of Sourcewell.

The schedule of expenditures of federal awards, uniform accounting and reporting standards compliance table and related schedules of differences between uniform accounting and reporting standards and GAAP, and Sourcewell Technology Fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The official directory has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2020, on our consideration of Sourcewell’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sourcewell’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sourcewell’s internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 20, 2020 on our consideration of Sourcewell’s compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor’s Minnesota Legal Compliance Audit Guide for Political Subdivisions in considering Sourcewell’s compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
November 20, 2020

This section of Sourcewell's annual financial report presents our discussion and analysis of Sourcewell's financial performance during the fiscal year that ended on June 30, 2020.

Financial Highlights

Key financial highlights for the 2019-2020 fiscal year:

- Net position increased by \$8,214,889. This includes a \$1,627,577 net position decrease to the governmental activities after transfers and a \$9,842,466 net position increase to the business-type activities (Risk Management, Cooperative Purchasing, and Sourcewell Technology) after transfers.
- The Governmental Funds fund balance decreased by \$34,827.
- The total Governmental Funds fund balance as of June 30, 2020 is \$2,796,752.
- The Business-Type Funds net position increase is summarized below:

Risk Management	\$ 2,057,696
Cooperative Purchasing	6,582,121
Sourcewell Technology	<u>1,202,649</u>
Total Business-Type Funds	<u><u>\$ 9,842,466</u></u>

The total Business-Type Funds net position as of June 30, 2020 are \$59,864,115.

Overview of the Financial Statements

The financial section of the annual report consists of three parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of Sourcewell:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about Sourcewell's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Sourcewell, reporting Sourcewell's operations in more detail than Government-wide statements.
- The governmental funds statements tell how basic services such as General Administration, Special Education and District Support Services were financed in the short term as well as what remains for future spending. They also include the Capital Projects activity related to the construction of the new administration building.
- The proprietary funds statements tell how business-like 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 statements and provide more detailed data. The following outline shows how the various parts of this annual report are arranged and related to one another.

1. Management's Discussion and Analysis
2. Basic Financial Statements
 - Government-Wide Financial Statements
 - Fund Financial Statements
3. Additional Reports
 - Schedule of Expenditures of Federal Awards

Footnote 1 summarizes the major features of Sourcewell's financial statements, including the portion of Sourcewell's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-Wide Statements

Government-wide statements report information about Sourcewell as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of Sourcewell's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 Sourcewell's net position and how they have changed. Net position – the difference between Sourcewell's assets and deferred outflows of resources, and liabilities and deferred inflows of resources – is one way to measure Sourcewell's financial health or position.

- Over time, increases or decreases in Sourcewell's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of Sourcewell you need to consider additional non-financial factors such as changes in Sourcewell's membership base, the number of contracts awarded as well as other programs and services offered.

In the Government-wide financial statements Sourcewell's activities are shown in two categories:

Governmental Activities – All of Sourcewell's basic services are included here, such as administration, educational services, and student academic programs. Local support, state grants, and federal grants finance most of these activities.

Business-Type Activities – Sourcewell's business-like activities are included here which consists of a self-insured health insurance pool as well as other risk management programs, cooperative purchasing activities, and Sourcewell Technology's software solutions and networking fees. Interest income, drug rebates, and fees for services finance these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about Sourcewell's funds – focusing on its most significant or "major" funds – not Sourcewell as a whole. Funds are accounting devices Sourcewell uses to keep track of specific sources of funding and spending on particular programs:

- Sourcewell establishes several funds to control and manage money for particular purposes (e.g., insurance services) or to show that it is properly using certain revenues (e.g., federal and state grants).

Sourcewell has two kinds of funds:

Governmental Funds – All of Sourcewell's basic services are included in governmental funds, which generally focus on:

- how cash and other financial assets that can readily be converted to cash flow in and out and
- the balances left at year-end that are available for spending.

Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance Sourcewell's programs. Because this information does not encompass the additional long-term focus of Government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

Business-Type Funds – Sourcewell's business-like activities include a self-insured health insurance pool as well as other risk management programs, cooperative purchasing activities, and Sourcewell Technology's software solutions and networking fees. Sourcewell provides services for all funds on a fee for service basis. These funds are accounted for in a separate section in the audit report to provide accounting methods similar to those used by private sector companies. Consequently, the business-type funds statements provide a short-term view that helps to determine whether their programs are beneficial to the members and the agency.

Financial Analysis of Sourcewell as a Whole

Net position

Sourcewell's combined net position was a positive \$67,239,442 on June 30, 2020.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets	\$ 5,045,272	\$ 4,396,421	\$ 74,260,359	\$ 65,604,131	\$ 79,305,631	\$ 70,000,552
Capital assets	11,476,101	11,782,289	1,490,016	1,312,853	12,966,117	13,095,142
Total assets	16,521,373	16,178,710	75,750,375	66,916,984	92,271,748	83,095,694
Deferred Outflows of Resources	4,876,900	4,828,163	2,332,806	3,335,317	7,209,706	8,163,480
Liabilities						
Current liabilities	2,836,492	2,165,860	6,676,724	7,211,177	9,513,216	9,377,037
Long-term liabilities	8,608,516	6,649,954	6,918,420	7,040,879	15,526,936	13,690,833
Total liabilities	11,445,008	8,815,814	13,595,144	14,252,056	25,040,152	23,067,870
Deferred Inflows of Resources	2,577,938	3,188,155	4,623,922	5,978,596	7,201,860	9,166,751
Net Position						
Investment in capital assets	11,476,101	11,782,289	1,490,016	1,166,119	12,966,117	12,948,408
Restricted	-	-	811,275	972,266	811,275	972,266
Unrestricted	(4,100,774)	(2,779,385)	57,562,824	47,883,264	53,462,050	45,103,879
Total net position	\$ 7,375,327	\$ 9,002,904	\$ 59,864,115	\$ 50,021,649	\$ 67,239,442	\$ 59,024,553

Sourcewell
Staples, Minnesota
Management's Discussion and Analysis
June 30, 2020

Statement of Activities
Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for service	\$ 1,474,422	\$ 1,506,728	\$ 100,131,401	\$ 93,042,471	\$ 101,605,823	\$ 94,549,199
Operating grants and contributions	654,359	615,486	-	-	654,359	615,486
General revenues						
Unrestricted investment earnings	-	556,745	1,991,910	2,437,460	1,991,910	2,994,205
State aid	32,114	132,408	792,068	895,327	824,182	1,027,735
Miscellaneous	827,979	1,370,819	-	-	827,979	1,370,819
Total revenues	2,988,874	4,182,186	102,915,379	96,375,258	105,904,253	100,557,444
Expenses						
Administration	-	1,410,646	-	-	-	1,410,646
District support services	3,107,445	15,306,571	-	-	3,107,445	15,306,571
Instructional Support Services	10,262,594	7,133,155	-	-	10,262,594	7,133,155
Regular instruction	18,747	56,619	-	-	18,747	56,619
Admin support and shared services	4,964,061	3,781,452	-	-	4,964,061	3,781,452
Special education instruction	905,553	777,166	-	-	905,553	777,166
Pupil support services	1,925,301	1,557,067	-	-	1,925,301	1,557,067
Sites and buildings	153,211	799,952	-	-	153,211	799,952
Fiscal and other fixed cost programs	155,264	100,873	-	-	155,264	100,873
Risk management	-	-	38,061,626	39,530,760	38,061,626	39,530,760
Cooperative purchasing	-	-	20,743,145	17,031,787	20,743,145	17,031,787
Sourcewell Technology	-	-	17,406,439	17,880,135	17,406,439	17,880,135
Total expenses	21,492,176	30,923,501	76,211,210	74,442,682	97,703,386	105,366,183
Nonoperating items, special items, and transfers						
Capital lease interest expense	-	-	(4,466)	(120,361)	(4,466)	(120,361)
Member withdrawal fees	-	-	-	5,049,472	-	5,049,472
Gain (Loss) on sale of capital assets	-	-	18,488	(3,036,820)	18,488	(3,036,820)
Reorganization payments to members	-	-	-	(2,083,848)	-	(2,083,848)
Member support fees	-	-	-	606,070	-	606,070
Transfers	16,875,725	15,163,088	(16,875,725)	(15,163,088)	-	-
Nonoperating items, special items, and transfers	16,875,725	15,163,088	(16,861,703)	(14,748,575)	14,022	414,513
Change in Net Position	(1,627,577)	(11,578,227)	9,842,466	7,184,001	8,214,889	(4,394,226)
Net Position - Beginning	9,002,904	20,581,131	50,021,649	42,837,648	59,024,553	63,418,779
Net Position - Ending	\$ 7,375,327	\$ 9,002,904	\$ 59,864,115	\$ 50,021,649	\$ 67,239,442	\$ 59,024,553

Changes in Net Position. Sourcewell's total revenues were \$105,904,253 for the year ended June 30, 2020. The majority of revenue is derived from business-like service programs.

The total cost of all programs and services was \$97,703,386. Sourcewell's expenses are predominantly related to providing necessary services to members.

This change accounts for the appearance of increased revenues and expenses, as cooperative purchasing operations continues to see overall growth.

Total revenues surpassed expenses, increasing net position \$8,214,889.

Financial Analysis of Sourcewell's Funds

The financial performance of Sourcewell as a whole is reflected in its governmental funds as well. As Sourcewell completed the year; its governmental funds reported a combined fund balance of \$2,796,752. Revenues for Sourcewell's governmental fund were \$2,988,870, while total expenditures were \$19,899,422.

The financial position of Sourcewell's proprietary funds continues to remain strong. Cooperative purchasing agreements generated administrative fees of \$51,193,624 up from \$43,334,665 the previous fiscal year. In addition, Sourcewell continues to actively market the insurance pool and anticipates growth in this area over the next fiscal year.

General Fund

The General Fund includes the primary operations of Sourcewell in providing services to its members. Since 1995, Sourcewell has experienced an increase in membership due a change in legislation allowing Sourcewell to offer services to Cities, Counties, and Other Governmental Agencies. We anticipate growth in that membership base over the coming years.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2020	2019		
Other local sources	\$ 2,062,212	\$ 3,291,145	\$ (1,228,933)	-37.3%
Federal sources	894,544	758,633	135,911	17.9%
State sources	32,114	132,405	(100,291)	-75.7%
Total General Fund revenues	\$ 2,988,870	\$ 4,182,183	\$ (1,193,313)	-28.5%

Total General Fund Revenue decreased by \$1,193,313 or 28.5% from the previous year. General fund revenue is determined by membership fees and state, federal and local grants and miscellaneous local revenues received from services. The decrease in General Fund revenues was due primarily to decreases in investment earnings from 2019 to 2020 as a result of market fluctuations during COVID-19.

The following schedule presents a summary of General Fund Expenditures:

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2020	2019		
Administration	\$ 612,911	\$ 512,935	\$ 99,976	19.5%
District support services	15,316,592	27,556,755	(12,240,163)	-44.4%
Regular instruction	18,747	56,619	(37,872)	-66.9%
Admin support and shared services	4,064,594	3,582,630	481,964	13.5%
Instructional Support Services	6,584,234	4,581,675	2,002,559	43.7%
Special education instruction	905,553	762,291	143,262	18.8%
Pupil support services	945,781	828,527	117,254	14.2%
Sites and buildings	724,542	1,027,557	(303,015)	-29.5%
Fiscal and other fixed cost programs	155,264	100,873	54,391	53.9%
Indirect expenditures charged to business-type activities	<u>(9,428,796)</u>	<u>(9,800,366)</u>	<u>371,570</u>	3.8%
Total General Fund expenditures	<u>\$ 19,899,422</u>	<u>\$ 29,209,496</u>	<u>\$ (9,310,074)</u>	-31.9%

Total General Fund expenditures decreased by \$9,310,074 or 31.9% from the previous year and is due to innovation funding provided to other governmental units in 2019 of \$9.7 million for capital projects.

General Fund Budgetary Highlights

Sourcewell adopted its original and final budget in June by state of Minnesota statute.

Sourcewell's final General Fund results when compared to the revised budget are:

- Actual revenues were \$477,914 less than budgeted due to unanticipated decreases in Q4 Regional Solution revenues as a result of COVID-19.
- The actual expenditures were \$4,094,708 less than budgeted primarily due to less software projects than anticipated, a slower than anticipated implementation of a new ERP, and a decrease in trainings due to cancellations during the COVID-19 pandemic.

Major Proprietary Fund Highlights

Revenues exceeded expenditures in Risk Management by \$1,924,046 and revenues exceeded expenditures before transfers in Cooperative Purchasing by \$32,279,436. The increase in Cooperative Purchasing is due to an increase in the number of contracts offered and utilized by members, as well as the number of members, thus increasing the administrative revenues received. Expenditures exceeded revenues before transfers in Sourcewell Technology by \$7,485,291 due to Sourcewell Technology's shift to a focus on higher margin services and products resulting in significant reductions in operating revenue from discontinued service lines. See Factors Bearing on Sourcewell's Future for management's outlook on Sourcewell Technology's future performance.

Capital Assets

By the end of 2020, Sourcewell had net investments of \$12,966,117 in capital assets consisting of land, buildings, land improvements, and equipment. Total depreciation expense for the year was \$1,811,117. More detailed information about Sourcewell's capital assets is presented in Note 4 in the financial statements.

Long-Term Liabilities

At June 30, 2020, Sourcewell had \$1,099,423 in compensated absences. Also at year end, Sourcewell has \$15,165,182 in net pension liability and \$361,754 in OPEB liability. More detailed information about Sourcewell's long-term liabilities are presented in Notes 5, 8, and 9 in the financial statements.

Factors Bearing on Sourcewell's Future

Because Sourcewell is financed primarily through administrative fees it is important that we maintain a level of loyalty from our members by continuing to offer necessary programs and services to our membership base. Most of our finances depend on our membership and vendor contract participation, maintaining our health insurance pools, and future legislative changes.

In addition, when the economy weakens, Sourcewell programs and purchasing contracts become more valuable to our members. As the economy improves, it will be Sourcewell's goal to maintain the value we offer to our members.

Sourcewell Technology has sustained significant operating losses over the past 2 years as management restructured the organizations roles, processes and technology to align to its strategic vision. In the current fiscal year, the organization created a 5 year business operating plan to get it to break even which includes aggressively promoting it's award winning SaaS technology solutions on a national scale, revolutionizing the customer journey of its software adoption, and continuing to partner with best in class software providers to deliver value added impact to their customers. Management believes there is significant demand for their products and services and through strategic marketing and sales the organization will be able to obtain a significant market share over the next 3-5 years.

With the onset of the COVID-19 Pandemic in March 2020, Sourcewell anticipates revenue shortfalls and some reduction in expenditures due to the temporary closing of facilities and lack of public program income during the quarantine period. Sourcewell continues to provide core services to members throughout the state of Minnesota. Sourcewell has maintained strong reserve balances which will help bridge financial gaps in revenue projections.

Contacting Sourcewell's Financial Management

This financial report is designed to provide Sourcewell's members, customers, and creditors with a general overview of Sourcewell's finances and to demonstrate Sourcewell's accountability for the money it receives. If you have any questions about this report or would like additional financial information, contact Mike Carlson, Director of Finance, at Sourcewell, 202 12th Street NE, Staples, MN 56479.

Sourcewell
Staples, Minnesota
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 3,676,715	\$ 55,849,004	\$ 59,525,719
Restricted cash	-	725,224	725,224
Receivables			
Accounts	15,326	17,012,936	17,028,262
Due from other governmental units	454,133	181,873	636,006
Less allowance for doubtful accounts	-	(20,000)	(20,000)
Prepaid items	899,098	511,322	1,410,420
Capital assets, net of accumulated depreciation where applicable			
Land	313,293	-	313,293
Work in progress	704,140	-	704,140
Buildings	8,629,489	576,731	9,206,220
Land improvements	250,854	-	250,854
Equipment	1,578,325	913,285	2,491,610
Total assets	<u>16,521,373</u>	<u>75,750,375</u>	<u>92,271,748</u>
Deferred Outflows of Resources			
Other post-employment benefits	26,067	9,859	35,926
Pension plans	4,850,833	2,322,947	7,173,780
Total deferred outflows of resources	<u>4,876,900</u>	<u>2,332,806</u>	<u>7,209,706</u>
Liabilities			
Accounts payable	1,028,802	2,032,948	3,061,750
Deferred rent payable	-	150,741	150,741
Due to other governmental units	-	781,528	781,528
Unearned revenue	-	91,232	91,232
Accrued payroll	1,219,718	627,622	1,847,340
Health claims payable	-	2,481,202	2,481,202
Long-term liabilities			
Due within one year:			
Compensated absences	587,972	511,451	1,099,423
Due in more than one year:			
Other post-employment benefits	232,462	129,292	361,754
Net pension liability	8,376,054	6,789,128	15,165,182
Total liabilities	<u>11,445,008</u>	<u>13,595,144</u>	<u>25,040,152</u>
Deferred Inflows of Resources			
Other post-employment benefits	9,028	26,766	35,794
Pension plans	2,568,910	4,597,156	7,166,066
Total deferred inflows of resources	<u>2,577,938</u>	<u>4,623,922</u>	<u>7,201,860</u>
Net Position			
Investment in capital assets	11,476,101	1,490,016	12,966,117
Restricted	-	811,275	811,275
Unrestricted	(4,100,774)	57,562,824	53,462,050
Total net position	<u>\$ 7,375,327</u>	<u>\$ 59,864,115</u>	<u>\$ 67,239,442</u>

Sourcewell
Staples, Minnesota
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
District support services	\$ 3,107,445	\$ 3,703	\$ -	\$ (3,103,742)	\$ -	\$ (3,103,742)
Instructional support services	10,262,594	346,030	-	(9,916,564)	-	(9,916,564)
Regular instruction	18,747	-	-	(18,747)	-	(18,747)
Admin support and shared services	4,964,061	-	-	(4,964,061)	-	(4,964,061)
Special education instruction	905,553	257,311	654,359	6,117	-	6,117
Pupil support services	1,925,301	865,090	-	(1,060,211)	-	(1,060,211)
Sites and buildings	153,211	2,288	-	(150,923)	-	(150,923)
Fiscal and other fixed cost programs	155,264	-	-	(155,264)	-	(155,264)
Total governmental activities	21,492,176	1,474,422	654,359	(19,363,395)	-	(19,363,395)
Business-type activities						
Risk management	38,061,626	39,709,058	-	-	1,647,432	1,647,432
Cooperative purchasing	20,743,145	51,340,552	-	-	30,597,407	30,597,407
Sourcewell Technology	17,406,439	9,081,791	-	-	(8,324,648)	(8,324,648)
Total business-type activities	76,211,210	100,131,401	-	-	23,920,191	23,920,191
Total	\$ 97,703,386	\$ 101,605,823	\$ 654,359	(19,363,395)	23,920,191	4,556,796
General revenues (expenses) and transfers						
Aids and payments from state				32,114	792,068	824,182
Unrestricted investment earnings				-	1,991,910	1,991,910
Capital lease interest expense				-	(4,466)	(4,466)
Miscellaneous				827,979	-	827,979
Gain on sale of capital assets				-	18,488	18,488
Transfers in (out)				16,875,725	(16,875,725)	-
Total general revenues and transfers				17,735,818	(14,077,725)	3,658,093
Change in net position				(1,627,577)	9,842,466	8,214,889
Net position - beginning				9,002,904	50,021,649	59,024,553
Net position - ending				\$ 7,375,327	\$ 59,864,115	\$ 67,239,442

Sourcewell
Staples, Minnesota
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund
Assets	
Cash and investments	\$ 3,676,715
Receivables	
Accounts	15,326
Due from other governmental units	454,133
Prepaid items	899,098
Total assets	\$ 5,045,272
Liabilities	
Accounts payable	\$ 1,028,802
Salaries payable	1,219,718
Total liabilities	2,248,520
Fund balance	
Nonspendable for prepaid items	899,098
Unassigned	1,897,654
Total fund balance	2,796,752
Total liabilities and fund balance	\$ 5,045,272

Sourcewell
 Staples, Minnesota
 Governmental Funds
 Reconciliation of Balance Sheet to the Statement of Net Position
 June 30, 2020

Total Fund Balance - Governmental Funds	\$ 2,796,752
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.	11,476,101
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds	2,281,923
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds	17,039
Total OPEB obligation liabilities are not recognized in the funds.	(232,462)
Long-term liabilities, including compensated absences and net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,964,026)</u>
Total Net Position - Governmental Activities	<u><u>\$ 7,375,327</u></u>

Sourcewell
Staples, Minnesota
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2020

	General Fund
Revenues	
Other local and county revenues	\$ 2,062,212
Revenue from federal sources	894,544
Revenue from state sources	32,114
Total revenues	2,988,870
Expenditures	
Current	
Administration	612,911
District support services	15,316,592
Regular instruction	18,747
Admin support and shared services	4,064,594
Instructional support services	6,584,234
Special education instruction	905,553
Pupil support services	945,781
Sites and buildings	560,153
Fiscal and other fixed cost programs	155,264
Indirect expenditures charged to business-type activities	(9,428,796)
Capital outlay	
Equipment, sites and buildings	164,389
Total expenditures	19,899,422
Deficiency of Revenues Under Expenditures	(16,910,552)
Other Financing Sources (Uses)	
Transfers in	17,763,665
Transfers out	(887,940)
Total other financing sources	16,875,725
Net Change in Fund Balance	(34,827)
Fund Balance, Beginning of Year	2,831,579
Fund Balance, End of Year	\$ 2,796,752

Sourcewell
 Staples, Minnesota
 Governmental Funds
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances to the Statement of Activities
 Year Ended June 30, 2020

Net Change in Fund Balance - Governmental Funds	\$ (34,827)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(306,188)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	(1,268,208)
In the statement of activities OPEB obligations are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(31,400)
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	<u>13,046</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,627,577)</u></u>

Sourcewell
Staples, Minnesota
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Other local and county revenues	\$ 2,473,342	\$ 2,062,212	\$ (411,130)
Revenue from federal sources	993,442	894,544	(98,898)
Revenue from state sources	-	32,114	32,114
	<u>3,466,784</u>	<u>2,988,870</u>	<u>(477,914)</u>
Expenditures			
Current			
Administration	609,541	612,911	(3,370)
District support services	17,379,113	15,316,592	2,062,521
Regular instruction	48,450	18,747	29,703
Admin support and shared services	4,564,459	4,064,594	499,865
Instructional support services	7,970,656	6,584,234	1,386,422
Special education instruction	1,047,558	905,553	142,005
Pupil support services	923,326	945,781	(22,455)
Sites and buildings	729,498	560,153	169,345
Fiscal and other fixed cost programs	114,269	155,264	(40,995)
Indirect expenditures charged to business-type activities	(9,552,240)	(9,428,796)	(123,444)
Capital outlay Equipment	159,500	164,389	(4,889)
	<u>23,994,130</u>	<u>19,899,422</u>	<u>4,094,708</u>
Deficiency of Revenues Under Expenditures	(20,527,346)	(16,910,552)	3,616,794
Other Financing Sources (Uses)			
Transfers in	20,578,895	17,763,665	(2,815,230)
Transfers out	(100)	(887,940)	(887,840)
	<u>20,578,795</u>	<u>16,875,725</u>	<u>(3,703,070)</u>
Net Change in Fund Balance	<u>\$ 51,449</u>	(34,827)	<u>\$ (86,276)</u>
Fund Balance, Beginning of Year		<u>2,831,579</u>	
Fund Balance, End of Year		<u>\$ 2,796,752</u>	

Sourcewell
Staples, Minnesota
Proprietary Funds
Statement of Net Position
June 30, 2020

	Risk Management	Cooperative Purchasing	Sourcewell Technology	Total Proprietary Funds
Assets				
Cash and investments	\$ 8,697,066	\$ 43,111,684	\$ 4,040,254	\$ 55,849,004
Restricted cash	-	725,224	-	725,224
Receivables				
Accounts	1,077,578	15,925,714	9,644	17,012,936
Due from other governmental units	-	-	181,873	181,873
Less allowance for doubtful accounts	-	-	(20,000)	(20,000)
Prepaid items	-	72,100	439,222	511,322
Capital assets, net of accumulated depreciation				
Building and building improvements	-	-	576,731	576,731
Equipment	-	-	913,285	913,285
Total assets	9,774,644	59,834,722	6,141,009	75,750,375
Deferred Outflows of Resources				
Other post-employment benefits	532	7,963	1,364	9,859
Pension plans	53,036	796,078	1,473,833	2,322,947
Total deferred outflows of resources	53,568	804,041	1,475,197	2,332,806
Liabilities				
Accounts payable	700,088	1,080,412	252,448	2,032,948
Deferred rent payable	-	-	150,741	150,741
Due to other governmental units	-	-	781,528	781,528
Unearned revenue	-	-	91,232	91,232
Accrued payroll	26,315	467,748	133,559	627,622
Health claims payable	2,481,202	-	-	2,481,202
Long-term liabilities				
Due within one year				
Compensated absences	15,391	206,362	289,698	511,451
Due in more than one year:				
Other post-employment benefits	4,747	71,015	53,530	129,292
Net pension liability	135,467	2,033,392	4,620,269	6,789,128
Total liabilities	3,363,210	3,858,929	6,373,005	13,595,144
Deferred Inflows of Resources				
Other post-employment benefits	184	2,758	23,824	26,766
Pension plans	18,191	273,052	4,305,913	4,597,156
Total deferred inflows of resources	18,375	275,810	4,329,737	4,623,922
Net Position (Deficit)				
Investment in capital assets	-	-	1,490,016	1,490,016
Restricted for rebates due to cooperative purchasing members	-	725,224	-	725,224
Restricted for partially self-insured program	86,051	-	-	86,051
Unrestricted	6,360,576	55,778,800	(4,576,552)	57,562,824
Total net position (deficit)	\$ 6,446,627	\$ 56,504,024	\$ (3,086,536)	\$ 59,864,115

Sourcewell
Staples, Minnesota
Proprietary Funds

Statement of Revenues, Expenditures, and Changes in Net Position
Year Ended June 30, 2020

	Risk Management	Cooperative Purchasing	Sourcewell Technology	Total Proprietary Funds
Operating Revenues				
Sales	\$ -	\$ -	\$ 1,230,549	\$ 1,230,549
Cost of sales	-	-	1,133,330	1,133,330
Gross profit	-	-	97,219	97,219
Charges for Services and State Aid				
Software, license, and support fees	-	-	5,180,472	5,180,472
Service fees	-	-	1,048,978	1,048,978
Internet fees	-	-	1,070,944	1,070,944
Conference fees	-	-	511,378	511,378
State aid revenue	-	-	792,068	792,068
Contributions from participants	38,497,991	-	-	38,497,991
Administrative fees	2,342	51,193,624	-	51,195,966
Drug rebates	1,208,725	-	-	1,208,725
Other operating revenues	-	146,928	39,470	186,398
Total charges for services and state aid	39,709,058	51,340,552	8,643,310	99,692,920
Total operating revenues	39,709,058	51,340,552	8,740,529	99,790,139
Operating Expenses				
Salaries and wages	265,420	4,735,690	5,726,791	10,727,901
Employee benefits	116,914	2,065,792	1,421,408	3,604,114
Purchased services	277,141	1,062,341	5,868,492	7,207,974
Supplies and materials	843	16,554	47,302	64,699
Travel	11,638	2,338,419	273,167	2,623,224
Indirect costs from governmental activities	339,102	8,201,754	887,940	9,428,796
Marketing	-	126,833	-	126,833
Insurance claims, premiums, and expenses	37,046,432	-	96,568	37,143,000
State aid passed to members	-	-	765,107	765,107
Depreciation	-	-	278,019	278,019
Other expenses	4,136	2,195,762	908,315	3,108,213
Total operating expenses	38,061,626	20,743,145	16,273,109	75,077,880
Operating Income (Loss)	1,647,432	30,597,407	(7,532,580)	24,712,259
Nonoperating Revenues (Expenses)				
Investment gain	276,614	1,682,029	33,267	1,991,910
Capital lease interest expense	-	-	(4,466)	(4,466)
Gain on sale of capital assets	-	-	18,488	18,488
Total nonoperating revenues (expenses)	276,614	1,682,029	47,289	2,005,932
Income (Loss) Before Transfers	1,924,046	32,279,436	(7,485,291)	26,718,191
Transfers In	133,650	-	8,687,940	8,821,590
Transfers Out	-	(25,697,315)	-	(25,697,315)
Change in Net Position	2,057,696	6,582,121	1,202,649	9,842,466
Net Position (Deficit), Beginning of Year	4,388,931	49,921,903	(4,289,185)	50,021,649
Net Position (Deficit), End of Year	\$ 6,446,627	\$ 56,504,024	\$ (3,086,536)	\$ 59,864,115

Sourcewell
Staples, Minnesota
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2020

	Risk Management	Cooperative Purchasing	Sourcewell Technology	Total Proprietary Funds
Operating Activities				
Receipts from sales to customers	\$ 2,342	\$ 48,082,991	\$ 6,943,424	\$ 55,028,757
Receipts from state aid	-	-	792,068	792,068
Payments for interfund balances	-	-	(887,940)	(887,940)
Receipts from participants	38,177,157	-	-	38,177,157
Receipts from insurance company	1,208,725	-	-	1,208,725
Payments to suppliers for goods and services	(277,984)	(3,430,941)	(6,129,916)	(9,838,841)
Payments made to employees	(358,552)	(6,584,129)	(7,053,562)	(13,996,243)
State aid payments to members	-	-	(765,107)	(765,107)
Payments for insurance claims and administration	(37,345,841)	-	-	(37,345,841)
Payments for other operating expenses	(354,876)	(10,540,173)	19,404	(10,875,645)
Net cash from (used for) operating activities	<u>1,050,971</u>	<u>27,527,748</u>	<u>(7,081,629)</u>	<u>21,497,090</u>
Investing Activity				
Proceeds from sale of capital assets	-	-	22,735	22,735
Purchase of capital assets	-	-	(459,429)	(459,429)
Investment income	276,614	1,682,029	33,267	1,991,910
Net cash from (used for) investing activities	<u>276,614</u>	<u>1,682,029</u>	<u>(403,427)</u>	<u>1,555,216</u>
Noncapital Financing Activities				
Total other post-employment benefits liability and related deferred inflows and outflows of resources	938	11,253	5,296	17,487
Net pension liability and related deferred inflows and outflows of resources	14,819	180,432	(687,360)	(492,109)
Transfer from other funds	133,650	-	8,687,940	8,821,590
Transfer to other funds	-	(25,697,315)	-	(25,697,315)
Net cash from (used for) noncapital financing activities	<u>149,407</u>	<u>(25,505,630)</u>	<u>8,005,876</u>	<u>(17,350,347)</u>
Capital and Related Financing Activities				
Capital lease interest payments	-	-	(4,466)	(4,466)
Principal payments on capital leases payable	-	-	(146,734)	(146,734)
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>(151,200)</u>	<u>(151,200)</u>
Net Change in Cash and Investments and Restricted Cash	1,476,992	3,704,147	369,620	5,550,759
Cash and Investments and restricted cash, July 1	<u>7,220,074</u>	<u>40,132,761</u>	<u>3,670,634</u>	<u>51,023,469</u>
Cash and Investments and restricted cash, June 30	<u>\$ 8,697,066</u>	<u>\$ 43,836,908</u>	<u>\$ 4,040,254</u>	<u>\$ 56,574,228</u>
Reconciliation of Operating Income to				
Net cash from (used for) operating activities				
Operating income	\$ 1,647,432	\$ 30,597,407	\$ (7,532,580)	\$ 24,712,259
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation	-	-	278,019	278,019
Changes in assets and liabilities				
Accounts receivable	(376,004)	(3,257,561)	4,701	(3,628,864)
Due from other governmental units	55,170	-	138,847	194,017
Prepaid items	-	112,930	216,448	329,378
Accounts payable	(159,676)	(142,381)	(332,378)	(634,435)
Deferred rent payable	-	-	78,911	78,911
Accrued payroll	17,759	177,977	(3,273)	192,463
Due to other governmental units	-	-	(12,979)	(12,979)
Health claims payable	(139,733)	-	-	(139,733)
Unearned revenue	-	-	(15,255)	(15,255)
Compensated absences	6,023	39,376	97,910	143,309
Net cash from (used for) operating activities	<u>\$ 1,050,971</u>	<u>\$ 27,527,748</u>	<u>\$ (7,081,629)</u>	<u>\$ 21,497,090</u>

Note 1 - Summary of Significant Accounting Policies

A. Organization

Sourcewell, a Minnesota Service Cooperative, is a public corporation and agency chartered as an educational institution on January 12, 1978 and operates pursuant to applicable Minnesota statutes. The governing body consists of an eight member board elected by participating school districts and other governmental unit members of Sourcewell to serve four-year terms.

The primary purpose of a Service Cooperative, as stated in MN Statute Section 123A.21, subd 2, is to perform planning on a regional basis and to assist in meeting specific needs of clients in participating governmental units which could be better provided by a Service Cooperative than by the members themselves. For these purposes, Sourcewell offers administrative services, teaching and learning services (including service for students with special talents and special needs), fiscal services and risk management (as described below), software and networking solutions, and cooperative purchasing services.

The financial statements of Sourcewell have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise Sourcewell, along with any component units.

Component units are legally separate entities for which Sourcewell (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Sourcewell is also a participant in, and a sponsor of, a public entity risk pool established as a health insurance purchasing pool. Members may withdraw from the pool at any time (but at least five months prior to renewal) upon 153 days written notice to the Board and to all Providers of programs in which it participates, but to rejoin the pool the member must wait one year. Any net investment a withdrawing member has with the pool remains with the pool. The agreement for formation of the pools provides that the pool will be self-insured through member premiums and will reinsure through commercial companies for claims in excess of \$225,000 for each insured event. Members are not subject to a supplemental assessment in the event of deficiencies. If the assets of the pool were to be exhausted, members would be responsible for the pool's liabilities. The pool is currently administered by HealthPartners, Inc.

The objective of the pool is to procure and manage insurance programs at lower costs. Members fund this program by remitting to Sourcewell an actuarially determined premium. A fee is paid to HealthPartners on a monthly basis for administering the program. The claims portion is remitted to HealthPartners on a weekly basis. Any remaining amounts are held by pool to fund any future insurance claims.

HealthPartners, and Sourcewell on an annual basis, calculate an estimate of future claims based on claims experience and actuarial studies to determine premiums.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of Sourcewell. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Sourcewell applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, Sourcewell generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

Sourcewell reports the following major governmental fund:

General Fund – This is the general operating fund of Sourcewell and accounts for all financial resources and transactions except those required to be accounted for in other funds.

Sourcewell reports the following major proprietary funds:

Risk Management – This fund is used to account for the operation of Sourcewell’s self-insured health insurance pool. All premiums collected from the participating agencies and all claims and administration charges paid by Sourcewell for health insurance are accounted for in this fund. Sourcewell also records expenses incurred for operating the pool in this fund.

Cooperative Purchasing – This fund is used to account for the revenues and expenses generated by competitively solicited bids that have been awarded by Sourcewell on a local, state, or national level. Revenues and expenses from vendor marketing agreements are also recorded in this fund.

Sourcewell Technology – This fund is used primarily to account for the revenues and expenses generated by providing networking and software solutions to governmental units.

With respect to proprietary activities Sourcewell has adopted GASB statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside Sourcewell that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Sourcewell's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Other Significant Accounting Policies

Budgeting

Budgets are prepared for Sourcewell funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year-end.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level.

Cash and Investments

Sourcewell considers cash and investments to be money market funds and other highly liquid investments with original maturities of three months or less. In addition, investments include U.S. government securities, certificates of deposit, and municipal bonds. They are carried at fair value.

Restricted cash in the Cooperative Purchasing fund results from rebates from vendors passed through Sourcewell and due to customers purchasing goods through Sourcewell's Cooperative Purchasing program.

Receivables

The carrying amount of the receivables has been reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected.

Receivables in the cooperative purchasing fund are estimates for all administrative fees to be received subsequent to June 30 that relate to sales that occurred during the current fiscal year. These administrative fees are often received up to 18 months after the fiscal year to which they relate, causing the year-end receivable accrual to be an estimate that is material to the financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Sourcewell maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide and Sourcewell Technology statements but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 50 years.

Lease Accounting

Rent expense on operating leases of buildings and equipment is charged on a straight-line basis over the term of the related lease agreement, with the difference between the amount charged to operations and actual lease payments made accounted for as deferred rent payable.

Health Claims Payable

The health claims payable is an actuarial calculation prepared by HealthPartners and Sourcewell based on claims incurred in the past twelve months plus a completion factor. The Pool has reserved investments in excess of the liability. Management believes the liability based on actuarial calculations from the prior year adequately reflects the estimated health claims payable for the current year ended June 30, 2020.

Long-Term Liabilities

In the government-wide financial statements, long-term debt or other long-term liabilities are reported as liabilities in the applicable governmental and business-type activities.

In the fund financial statements, governmental fund types recognize principal payments on long-term debt. The face amount of the long-term debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences Payable

Vacation – Sourcewell compensates substantially all full-time employees for unused vacation upon termination. The expenditure for vacation pay is recognized when payment is made. As of June 30, 2020, a liability has been recorded in the financial statements related to these compensated absences.

Unable to Work Pay – Substantially all Sourcewell employees are allowed to accrue sick leave at varying amounts each year and accumulate within specified limits. Since the employees accumulating rights to receive compensation for future absences being caused by future illnesses such amounts cannot be reasonably estimated, a liability for unused sick leave has not been recorded in the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School Sourcewell. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 8.

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. Sourcewell has three items that qualify for reporting in this category. They are the contributions made to pension plans and other postemployment benefit plan after the measurement date and prior to the fiscal year-end and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Sourcewell has two types of items that qualify for reporting in this category. Sourcewell reports changes in the net pension liability not included in pension expense reported in the government-wide statement of net position and changes in the other postemployment benefit plan liability not included in other postemployment benefit plan expense reported in the government-wide statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in Sourcewell's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balances represent a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the Board of Directors through a resolution.
- Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed.

- Unassigned fund balance represents residual classification. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

Sourcewell did not adopt a fund balance policy as of June 30, 2020 therefore there are no committed or assigned fund balances.

Premium Contributions

Contributions are made monthly by participating organizations and their respective employees. The contributions funding rates are determined by the Management team based on actuarial data provided by the reinsurance provider. Employee contribution percentages vary between organizations based on employer discretion.

Risk Management

Sourcewell is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which Sourcewell carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in Sourcewell's insurance coverage in fiscal year 2020.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Deposits and Investments

Deposits

In accordance with Minnesota statutes, Sourcewell maintains deposits at those depositories authorized by the Governing Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, Sourcewell's deposits may be lost.

Minnesota statutes require that all Company deposits be protected by federal deposit insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping by Sourcewell treasurer or in a financial institution other than that furnishing the collateral. The deposits of Sourcewell are entirely insured or collateralized with securities held by Sourcewell or its agent in Sourcewell's name at June 30, 2020.

Investments

Statutes authorize Sourcewell to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

As of June 30, 2020, Sourcewell had the following cash and investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Not Applicable	< 1	1 - 5	> 5-10
Cash and Cash Equivalents					
Deposits	\$ 7,568,035	\$ 7,568,035	\$ -	\$ -	\$ -
Investments					
Money Market	3,162,897	3,162,897	-	-	-
U.S. Government Securities	19,989,288	-	1,514,000	7,996,986	10,478,302
Municipal Bonds	29,530,723	-	1,495,464	11,444,128	16,591,131
	<u>\$ 60,250,943</u>	<u>\$ 10,730,932</u>	<u>\$ 3,009,464</u>	<u>\$ 19,441,114</u>	<u>\$ 27,069,433</u>

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

Sourcewell has the following recurring fair value measurements as of June 30, 2020:

- U.S. Treasury securities of \$19,989,288 are valued using quoted market prices (Level 1 inputs)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Beyond what is stated in state statutes, Sourcewell does not have a formal policy to further limit its exposure to credit risk. As of June 30, 2020, all of Sourcewell's investments were not rated.

Interest Rate Risk-Investments

Sourcewell does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 3 - Due from other Governmental Units

Amounts receivable from other governments as of June 30, 2020, include:

Fund	Federal	State	Other	Total
General	\$ 279,036	\$ 37,658	\$ 137,439	\$ 454,133
Sourcewell Technology	-	181,873	-	181,873
	<u>\$ 279,036</u>	<u>\$ 219,531</u>	<u>\$ 137,439</u>	<u>\$ 636,006</u>

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 316,818	\$ -	\$ 3,525	\$ 313,293
Work in progress	-	704,140	-	704,140
Total capital assets, not being depreciated	<u>316,818</u>	<u>704,140</u>	<u>3,525</u>	<u>1,017,433</u>
Capital assets being depreciated				
Buildings	10,277,965	79,464	-	10,357,429
Land Improvements	323,973	19,557	-	343,530
Equipment	7,089,607	427,274	547,328	6,969,553
Total capital assets being depreciated	<u>17,691,545</u>	<u>526,295</u>	<u>547,328</u>	<u>17,670,512</u>
Less accumulated depreciation for				
Buildings	1,439,507	288,433	-	1,727,940
Land Improvements	69,774	22,902	-	92,676
Equipment	4,716,793	1,221,763	547,328	5,391,228
Total accumulated depreciation	<u>6,226,074</u>	<u>1,533,098</u>	<u>547,328</u>	<u>7,211,844</u>
Capital assets being depreciated, net	<u>11,465,471</u>	<u>(1,006,803)</u>	<u>-</u>	<u>10,458,668</u>
Governmental activities capital assets, net	<u>\$ 11,782,289</u>	<u>\$ (1,006,803)</u>	<u>\$ -</u>	<u>\$ 11,476,101</u>

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Business-type activities				
Capital assets being depreciated				
Buildings and improvements	\$ 664,053	\$ 8,271	\$ -	\$ 672,324
Equipment and software	2,077,625	451,158	124,314	2,404,469
Total capital assets being depreciated	2,741,678	459,429	124,314	3,076,793
Less accumulated depreciation for				
Buildings	33,653	61,940	-	95,593
Equipment and software	1,395,172	216,079	120,067	1,491,184
Total accumulated depreciation	1,428,825	278,019	120,067	1,586,777
Capital assets being depreciated, net	1,312,853	181,410	4,247	1,490,016
Business-type activities capital assets, net	<u>\$ 1,312,853</u>	<u>\$ 181,410</u>	<u>\$ 4,247</u>	<u>\$ 1,490,016</u>

Depreciation expense for the year ended June 30, 2020 was charged to the following functions/programs:

Governmental activities	
Sites and buildings	<u>\$ 1,533,098</u>
Business-type activities	
Sites and buildings	<u>\$ 278,019</u>

Business-type activities capital assets are attributable to Sourcewell Technology. The ending capital assets consist of building improvements, furniture and equipment, and software equipment and use depreciation methods and useful lives consistent with capital assets reported in governmental activities.

Note 5 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2020 are as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Governmental activities					
Compensated absences	\$ 601,018	\$ 901,527	\$ 914,573	\$ 587,972	\$ 587,972
Business-type activities					
Capital leases payable (direct borrowing)	\$ 146,734	\$ -	\$ 146,734	\$ -	\$ -
Compensated absences	368,142	909,305	765,996	511,451	511,451
Total business-type activities long term liabilities	<u>\$ 514,876</u>	<u>\$ 909,305</u>	<u>\$ 912,730</u>	<u>\$ 511,451</u>	<u>\$ 511,451</u>

Compensated Absences – This amount consists of a calculation based on accrued vacation days and employees rate of pay. Compensated absences are paid out of the General Fund, Risk Management Fund, Cooperative Purchasing Fund, and Sourcewell Technology Fund.

Note 6 - Health Claims Payable

As discussed in Note 1, Sourcewell establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for Sourcewell during the year ended June 30, 2020. For comparative reasons the reconciliation of unpaid claims liabilities at June 30, 2019 is also presented.

	2020	2019
Health claims payable, beginning balance	\$ 2,620,935	\$ 2,500,000
Incurred claims		
Provision for insured events of current year	36,157,409	29,277,391
Increase (decrease) in provision for insured events of prior years	(1,147,944)	1,964,979
Total incurred claims	35,009,465	31,242,370
Payments		
Claims attributable to insured events of current year	(33,116,578)	(28,838,965)
Claims attributable to insured events of prior years	(2,032,620)	(2,282,470)
Total payments	(35,149,198)	(31,121,435)
Health claims payable, ending balance	\$ 2,481,202	\$ 2,620,935

Note 7 - Interfund Transfers

Sourcewell had the following transfers during the year ended June 30, 2020:

Transfer In	Transfer Out		Total
	General	Cooperative Purchasing	
General	\$ -	\$ 17,763,665	\$ 17,763,665
Risk Management	-	133,650	133,650
Sourcewell Technology	887,940	7,800,000	8,687,940
	\$ 887,940	\$ 25,697,315	\$ 26,585,255

During the year ended June 30, 2020, \$17,763,665 was transferred from the Cooperative Purchasing Fund to the General Fund to fund various departments in the General Fund, \$887,940 was transferred from the General Fund to the Sourcewell Technology to allocate indirect costs, \$7,800,000 was transferred from the Cooperative Purchasing Fund to the Sourcewell Technology Fund to fund Sourcewell Technology's operating deficit, and \$133,650 was transferred from the Cooperative Purchasing Fund to the Risk Management Fund to offset indirect costs from governmental activities.

Note 8 - Defined Benefit Pension Plans

Substantially all employees of Sourcewell are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

PERA and TRA Summary Schedules

Sourcewell and the blended component unit, Sourcewell Technology, have unique employer unit numbers for the PERA and TRA pension plans, 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			Total	Total
		Risk Management	Cooperative Purchasing	Sourcewell Technology		
Net pension liability	\$ 8,376,054	\$ 135,467	\$ 2,033,392	\$ 4,620,269	\$ 6,789,128	\$ 15,165,182
Deferred outflows of resources	4,850,833	53,036	796,078	1,473,833	2,322,947	7,173,780
Deferred inflows of resources	2,568,910	18,191	273,052	4,305,913	4,597,156	7,166,066

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

	Sourcewell		Sourcewell Technology		Total
	PERA	TRA	PERA	TRA	
Net pension liability	\$ 8,823,927	\$ 1,720,986	\$ 4,008,363	\$ 611,906	\$ 15,165,182
Deferred outflows of resources	3,454,586	2,245,361	570,124	903,709	7,173,780
Deferred inflows of resources	1,184,913	1,675,240	2,669,515	1,636,398	7,166,066

Public Employees Retirement Association (PERA)

A. Plan Descriptions

Sourcewell and Sourcewell Technology participate in the following cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

All full-time and certain part-time employees of Sourcewell and Sourcewell Technology, other than teachers, are covered by General Employees Plan. General Employees Plan members belong to either the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contribution Rate

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020. Sourcewell and Sourcewell Technology were required to contribute 7.5% for Coordinated Plan members. Sourcewell and Sourcewell Technology's contributions to the General Employees Fund for the year ended June 30, 2020, were \$706,767 and \$404,024, respectively. Sourcewell and Sourcewell Technology's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

At June 30, 2020, Sourcewell and Sourcewell Technology reported liabilities of \$8,823,927 and \$4,008,363, respectively, for their proportionate share of the General Employees Fund's net pension liability. Sourcewell and Sourcewell Technology's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with Sourcewell and Sourcewell Technology totaled \$274,155 and \$124,661, respectively. The net pension liability was measured as of June 30, 2019 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 proportion of the net pension liability was based on Sourcewell and Sourcewell Technology's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, Sourcewell's proportion was 0.1596% at the end of the measurement period and 0.1239% for the beginning of the period.

Employer's proportionate share of net pension liability	\$ 8,823,927	
State of Minnesota's proportionate share of the net pension liability associated with employer		274,155
Total		\$ 9,098,082

At June 30, 2019, Sourcewell Technology's proportion was 0.0725% at the end of the measurement period and 0.0837% for the beginning of the period.

Employer's proportionate share of net pension liability	\$ 4,008,363	
State of Minnesota's proportionate share of the net pension liability associated with the employer		124,661
Total		\$ 4,133,024

For the year ended June 30, 2020, Sourcewell and Sourcewell Technology recognized pension expense of \$1,274,615 and \$198,760, respectively, for their proportionate share of General Employees Fund's pension expense. In addition, Sourcewell and Sourcewell Technology recognized an additional \$20,532 and \$9,336, respectively, as pension expense (and grant revenue) for their proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

Sourcewell

At June 30, 2020, Sourcewell reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 201,180	\$ -
Changes in actuarial assumptions	-	519,613
Difference between projected and actual investment earnings	-	665,300
Change in proportion and differences between contributions made and employer's proportionate share of contributions	2,546,639	-
Employer's contributions to GERF subsequent to the measurement date	<u>706,767</u>	<u>-</u>
Total	<u>\$ 3,454,586</u>	<u>\$ 1,184,913</u>

The \$706,767 reported as deferred outflows of resources related to pensions resulting from Sourcewell contributions to General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ 797,124
2022	391,753
2023	359,810
2024	14,219
2025	-

Sourcewell Technology

At June 30, 2020, Sourcewell Technology reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 145,801	\$ -
Changes in actuarial assumptions	-	433,850
Difference between projected and actual investment earnings	-	569,488
Change in proportion and differences between contributions made and employer's proportionate share of contributions	20,299	1,666,177
Employer's contributions to GERF subsequent to the measurement date	<u>404,024</u>	<u>-</u>
Total	<u>\$ 570,124</u>	<u>\$ 2,669,515</u>

The \$404,024 reported as deferred outflows of resources related to pensions resulting from Sourcewell Technology contributions to General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ (1,030,951)
2022	(1,230,379)
2023	(248,545)
2024	6,460
2025	-

E. Actuarial Assumptions

The total pension liability for both entities in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric 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 Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
Unallocated Cash	2.0%	0.00%
	100.0%	

F. Discount Rate

The discount rate used to measure the total pension liabilities in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current active 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.

G. Pension Liability Sensitivity

The following presents Sourcewell’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what Sourcewell’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity Analysis		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	6.50%	\$ 14,506,060
Current Discount Rate	7.50%	\$ 8,823,927
1% Higher	8.50%	\$ 4,132,196

The following presents Sourcewell Technology’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what Sourcewell Technology’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity Analysis		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	6.50%	\$ 6,589,532
Current Discount Rate	7.50%	\$ 4,008,363
1% Higher	8.50%	\$ 1,877,094

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Teachers Retirement Association (TRA)

A. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

Educators employed in Minnesota’s public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

B. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Tier1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are prior to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are prior to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3 percent per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 2018, June 30, 2019 and June 30, 2020, were:

	June 30, 2018		June 30, 2019		June 30, 2020	
	Employees	Employers	Employees	Employers	Employees	Employers
Basic	11.00%	11.50%	11.00%	11.50%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	\$ 403,300,000
Add employer contributions not related to future contribution efforts	(688,000)
Deduct TRA's contributions not included in allocation	<u>(486,000)</u>
Total employer contributions	402,126,000
Total non-employer contributions	<u>35,588,000</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 437,714,000</u></u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

D. Actuarial Assumptions

The total pension liability in the June 30, 2019, 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, 2019
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% before July 1, 2028, and 3.25% after June 30, 2028
Projected salary increase	2.85 to 8.85% before July 1, 2028, and 3.25 to 9.25% after June 30, 2028
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

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 Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
Unallocated Cash	2.0%	0.00%
	100.0%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six 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 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2018 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. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2019 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, 2020, Sourcewell and Sourcewell Technology reported liabilities of \$1,720,986 and \$611,906, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 0.0270% at the end of the measurement period and 0.0194% for the beginning of the year. Sourcewell Technology's proportionate share was 0.0096% at the end of the measurement period and 0.0097% 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	\$ 1,720,986
State's proportionate share of the net pension liability associated with the employer	\$ 152,357

For the year ended June 30, 2020, Sourcewell recognized pension expense of \$226,303. It also recognized \$11,581 as an increase to pension expense for the support provided by direct aid.

At June 30, 2020, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 87	\$ 29,881
Changes in actuarial assumptions	551,979	1,546,571
Difference between projected and actual investment earnings	-	98,788
Change in proportion and differences between contributions made and employer's proportionate share of contributions	1,577,247	-
Employer's contributions to TRA subsequent to the measurement date	<u>116,048</u>	<u>-</u>
Total	<u>\$ 2,245,361</u>	<u>\$ 1,675,240</u>

\$116,048 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, 2021.

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

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ 258,322
2022	214,069
2023	(28,312)
2024	(66,374)
2025	76,368

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	\$ 611,906
State's proportionate share of the net pension liability associated with the employer	\$ 53,895

For the year ended June 30, 2020, Sourcewell Technology recognized pension expense of \$51,129. It also recognized \$4,097 as an increase to pension expense for the support provided by direct aid.

At June 30, 2020, 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	\$ 128	\$ 16,562
Changes in actuarial assumptions	830,393	851,835
Difference between projected and actual investment earnings	-	42,668
Change in proportion and differences between contributions made and employer's proportionate share of contributions	28,868	725,333
Employer's contributions to TRA subsequent to the measurement date	44,320	-
Total	\$ 903,709	\$ 1,636,398

\$44,320 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, 2021.

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

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ (11,838)
2022	(70,412)
2023	(463,729)
2024	(228,849)
2025	(2,181)

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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 2,743,672	\$ 1,720,986	\$ 877,796

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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 975,528	\$ 611,906	\$ 312,105

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).

I. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on TRA's discount rate as well as the value of the Plan's investments. Any impact caused by the resulting declines have not been included in the Schedules as of June 30, 2019.

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			Total	Total
		Risk Management	Cooperative Purchasing	Sourcewell Technology		
Other post-employment benefits liability	\$ 232,462	\$ 4,747	\$ 71,015	\$ 53,530	\$ 129,292	\$ 361,754
Deferred outflows of resources	26,067	532	7,963	1,364	9,859	35,926
Deferred inflows of resources	9,028	184	2,758	23,824	26,766	35,794

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

	Sourcewell	Sourcewell Technology	Total
Other post-employment benefits liability	\$ 308,224	\$ 53,530	\$ 361,754
Deferred outflows of resources	34,562	1,364	35,926
Deferred inflows of resources	11,970	23,824	35,794

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 for Non-TRA employees, and 5 years of service for all other employees. 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.

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in Sourcewell Technology’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.

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 \$760 for single and \$1,905 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	62
	62

D. Total OPEB Liability

Sourcewell and Sourcewell Technology's total OPEB liabilities of \$361,754 and \$53,530, respectively, were measured as of July 1, 2019 and was determined by an actuarial valuation as of July 1, 2018 and July 1, 2019, 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	3.10 percent	
Healthcare cost trend rates	6.25 percent in 2019 grading to 5.00% over 5 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 with MP-2017 Generational Improvement Scale.

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, 2019 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	Service graded table, based on age and years of service	
Discount rate	3.10 percent	
Healthcare cost trend rates	6.50 percent in 2019 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:	25%
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 Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2019 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, 2019		\$	271,918
Changes from the Prior Year:			
Service cost			57,655
Interest cost			10,872
Assumption changes			5,979
Benefit payments			<u>(38,200)</u>
Net Change			<u>36,306</u>
Balance at June 30, 2020		\$	<u><u>308,224</u></u>

Sourcewell Technology

Balance at June 30, 2019		\$	76,107
Changes from the Prior Year:			
Service cost			9,787
Interest cost			2,829
Assumption changes			(14,205)
Differences between expected and actual experience			(15,575)
Benefit payments			<u>(5,413)</u>
Net Change			<u>(22,577)</u>
Balance at June 30, 2020		\$	<u><u>53,530</u></u>

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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.10%	3.10%	4.10%
Total OPEB Liability	\$ 330,762	\$ 308,224	\$ 286,935

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:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Medical trend rate	5.25%, decreasing to 4.00% over 5 years	6.25%, decreasing to 5.00% over 5 years	7.25%, decreasing to 6.00% over 5 years
Total OPEB Liability	\$ 244,950	\$ 308,224	\$ 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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.10%	3.10%	4.10%
Total OPEB Liability	\$ 55,901	\$ 53,530	\$ 51,208

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:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
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	\$ 49,038	\$ 53,530	\$ 58,732

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

Sourcewell

For the year ended June 30, 2020, Sourcewell recognized OPEB expense of \$67,771. At June 30, 2020, Sourcewell reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability gains	\$ -	\$ 8,871
Assumption changes	9,948	3,099
Employer contributions made after the measurement date	<u>24,615</u>	<u>-</u>
	<u>\$ 34,563</u>	<u>\$ 11,970</u>

\$24,615 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, 2021.

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Years Ended June 30,</u>	<u>OPEB Expense Amount</u>
2021	\$ (755)
2022	(755)
2023	(755)
2024	(751)
2025	994
Thereafter	-

Sourcewell Technology

For the year ended June 30, 2020, Sourcewell Technology recognized OPEB expense of \$6,660. At June 30, 2020, Sourcewell Technology reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability gains	\$ -	\$ 12,460
Assumption changes	-	11,364
Employer contributions made after the measurement date	<u>1,364</u>	<u>-</u>
	<u>\$ 1,364</u>	<u>\$ 23,824</u>

\$1,364 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, 2021.

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Years Ended June 30,</u>	<u>OPEB Expense Amount</u>
2021	\$ (5,956)
2022	(5,956)
2023	(5,956)
2024	(5,956)
2025	-
Thereafter	-

Note 10 - 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 11 - 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, 2020, Sourcewell made payments totaling \$245,465 to Metro ECSU; \$208,000 related to a service agreement for various educational services, and the additional \$37,465 related to trainings, registration fees, and books. During the year ended June 30, 2020, Sourcewell Technology made payments totaling \$39,122 for eFP Implementation.

Note 12 - Deficit Net Position

The Sourcewell Technology fund has a deficit net position of \$3,086,536. Management anticipates that the fund will become self-sustaining in the near future. Operating deficits and long-standing deficit net position will be eliminated with higher margin revenue streams and, if needed, transfers from the General Fund and Cooperative Purchasing Fund.

Note 13 - Commitments and Contingencies

Federal and State Revenue

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although Sourcewell and Sourcewell Technology expect such amounts, if any, to be immaterial.

Project Commitment

Sourcewell has an ERP and accounting system project ongoing as of June 30, 2020. \$704,140 of the project has been completed as of June 30, 2020, with an anticipated total cost of \$1,500,000 and expected completion in fiscal year 2021.

Note 14 - 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 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, 2022.

The second statement issued but not yet implemented that will 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, 2022.

The third statement issued but not yet implemented that will affect Sourcewell is Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. This Statement will be implemented at Sourcewell in the year ended June 30, 2023.

The final statement issued but not yet implemented that will affect Sourcewell is Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. This Statement will be implemented at Sourcewell in the year ended June 30, 2023.

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



Required Supplementary Information
June 30, 2020

Sourcewell

Staples, Minnesota

Sourcewell
Staples, Minnesota

Schedule of Changes in Sourcewell's Total OPEB Liability and Related Ratios
June 30, 2020

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

	2020	2019	2018
Service cost	\$ 57,655	\$ 53,450	\$ 37,868
Interest cost	10,872	8,845	6,243
Assumption changes	5,979	7,450	(5,424)
Plan changes	-	16,963	-
Differences between expected and actual experience	-	(13,309)	-
Benefit payments	(38,200)	(16,197)	(2,765)
Net change in total OPEB liability	36,306	57,202	35,922
Total OPEB liability - beginning	271,918	214,716	178,794
Net OPEB liability, end of year	\$ 308,224	\$ 271,918	\$ 214,716
Covered-employee payroll	\$ 11,699,462	\$ 11,358,701	\$ 6,879,565
District's total OPEB liability as a percentage of covered-employee payroll	2.63%	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.

2019 Changes

Benefit Changes:

- One retiree is receiving client paid post-employment subsidies per a special agreement.

Assumption Changes:

- The health care trend rates, mortality tables, and the percentage of future spouses assumed to continue on the client's medical plan post-employment were updated.
- The discount rate was changed from 3.40% to 3.50%

Schedule of Changes in Sourcewell Technology's Total OPEB Liability and Related Ratios
June 30, 2020

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

	2020	2019	2018
Service cost	\$ 9,787	\$ 8,812	\$ 8,555
Interest cost	2,829	2,569	2,489
Assumption changes	(14,205)	-	-
Differences between actual and expected experience	(15,575)	-	-
Benefit payments	(5,413)	(4,004)	(13,821)
Net change in total OPEB liability	(22,577)	7,377	(2,777)
Total OPEB liability - beginning	76,107	68,730	71,507
Net OPEB liability, end of year	<u>\$ 53,530</u>	<u>\$ 76,107</u>	<u>\$ 68,730</u>
Covered-employee payroll	\$ 6,005,106	\$ 6,249,847	\$ 6,067,813
District's total OPEB liability as a percentage of covered-employee payroll	0.89%	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.

2019 Changes

Assumption Changes:

- The health care trend rates, mortality tables, salary increase rates, and retiree plan participation percentage were updated.
- The discount rate was changed from 3.40% to 3.10%

Sourcewell
Staples, Minnesota
Claims Development Schedule
June 30, 2020

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.

	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20
1. Net earned required contribution and investment revenues	\$ 434,105	\$ (1,359,385)	\$ 1,690,357	\$ 1,591,039	\$ (526,270)	\$ 525,610	\$ (503,137)	\$ (1,231,893)	\$ (1,378,313)	\$ 1,383,703
2. Unallocated expenses	382,332	424,854	398,368	409,470	407,616	430,012	456,522	496,115	617,648	935,995
3. Estimated incurred claims, both paid and accrued, end of policy year	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	36,157,409
4. Payments as of:										
End of policy year	13,484,073	19,819,423	19,463,336	42,412,407	24,759,606	25,814,147	21,289,352	28,838,965	32,687,135	33,116,578
One year later	17,265,498	23,284,339	22,146,866	44,053,472	26,714,911	28,192,765	24,345,943	31,123,597	35,312,888	
Two years later	17,277,454	23,219,855	21,137,123	44,039,282	26,685,401	28,178,420	24,350,824	30,812,888		
Three years later	17,209,208	21,412,512	21,135,428	44,038,972	26,684,254	28,171,377	24,069,280			
Four years later	17,277,455	21,412,446	21,135,389	44,046,716	26,684,254	28,170,741				
Five years later	14,533,886	21,412,434	21,135,389	44,046,716	26,684,010					
Six years later	14,533,886	21,412,434	21,135,389	44,046,716						
Seven years later	14,533,886	21,412,434	21,135,389							
Eight years later	14,533,886	21,412,434								
Nine years later	14,533,886									
Ten years later										

Schedules 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 of the Net Pension Liability (Asset)	Employer's Proportionate Share 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	6/30/2019	0.1596%	\$ 8,823,927	\$ 274,155	\$ 9,098,082	\$ 10,411,911	84.7%	80.2%
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	6/30/2019	0.0270%	\$ 1,720,986	\$ 152,357	\$ 1,873,343	\$ 1,531,064	112.4%	78.1%
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	6/30/2020	\$ 706,767	\$ 706,767	\$ -	\$ 9,423,560	7.5%
PERA	6/30/2019	\$ 780,893	\$ 780,893	\$ -	\$ 10,411,911	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	6/30/2020	\$ 116,048	\$ 116,048	\$ -	\$ 1,465,253	7.9%
TRA	6/30/2019	\$ 118,045	\$ 118,045	\$ -	\$ 1,531,064	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.

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

Pension Plan	Measurement Date	Employer's Proportion 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	6/30/2019	0.0725%	\$ 4,008,363	\$ 124,661	\$ 4,133,024	\$ 4,729,722	84.7%	80.2%
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	\$ 7,814,120	99.1%	75.9%
PERA	6/30/2016	0.1203%	\$ 9,767,764	\$ 127,601	\$ 9,895,365	\$ 7,477,040	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	6/30/2019	0.0096%	\$ 611,906	\$ 53,895	\$ 665,801	\$ 544,358	112.4%	78.1%
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	6/30/2020	\$ 404,024	\$ 404,024	\$ -	\$ 5,386,987	7.5%
PERA	6/30/2019	\$ 354,729	\$ 354,729	\$ -	\$ 4,729,722	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	6/30/2020	\$ 44,320	\$ 44,320	\$ -	\$ 559,596	7.9%
TRA	6/30/2019	\$ 41,970	\$ 41,970	\$ -	\$ 544,358	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.

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

PERA

2019 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

TRA

2019 Changes

Changes in Actuarial Assumptions

- 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.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (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% on 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 July 1, 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% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six 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.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.

- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the 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.
- The post-retirement mortality assumption was changed to the 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.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out of Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made

2015 Changes

Changes of benefit terms:

- The DTRFA was merged into TRA on June 30, 2015.

Change of assumptions:

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%. Details, if necessary, can be obtained from the TRA CAFR.

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.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at <https://minnesotatra.org/wp-content/uploads/2019/01/2018-MN-TRA-GASB-67-68-Reportscombined.pdf>.



Other Supplementary Information
June 30, 2020

Sourcewell

Staples, Minnesota

Sourcewell
Staples, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program Title	Pass Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Education			
<i>Passed through Minnesota Department of Education:</i>			
Special Education Cluster (IDEA)			
Special Education Grants to States - Regional Low Incidence	0924-83-000 Formula - 421	84.027	\$ 547,741
Special Education Grants to States - CSPD	0924-83-000 Formula - 432	84.027	106,618
Special Education Grants to States - Centers of Excellence CSPD	0924-83-000 Formula - 430	84.173	<u>115,762</u>
Total Special Education Cluster (IDEA)			<u>770,121</u>
 <i>Passed through Minnesota Department of Education:</i>			
Special Education Grants to States - Centers of Excellence CSPD	0924-83-000 Formula - 446	84.181	<u>124,423</u>
Total Expenditures of Federal Awards			<u><u>\$ 894,544</u></u>

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, 2020 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 - 6/30/2020 [Help](#) [Logoff](#)
District: REGION 5 - ECSU-5 (924-83) [Back](#) [Print](#)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$56,011,451	<u>\$56,011,448</u>	\$3	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$49,138,821	<u>\$49,138,818</u>	\$3	Total Expenditures	\$0	\$0	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$899,098	<u>\$899,098</u>	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$0	\$0	\$0	4.07 Capital Projects Levy	\$0	\$0	\$0
4.02 Scholarships	\$0	\$0	\$0	4.13 Project Funded by COP	\$0	\$0	\$0
4.03 Staff Development	\$0	\$0	\$0	4.67 LTFM	\$0	\$0	\$0
4.07 Capital Projects Levy	\$0	\$0	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.13 Project Funded by COP	\$0	\$0	\$0	Unassigned:			
4.14 Operating Debt	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.16 Levy Reduction	\$0	\$0	\$0				
4.17 Taconite Building Maint	\$0	\$0	\$0	07 DEBT SERVICE			
4.24 Operating Capital	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.26 \$25 Taconite	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.27 Disabled Accessibility	\$0	\$0	\$0	Non Spendable:			
4.28 Learning & Development	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.34 Area Learning Center	\$0	\$0	\$0	Restricted / Reserved:			
4.35 Contracted Alt. Programs	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.36 State Approved Alt. Program	\$0	\$0	\$0	4.33 Maximum Effort Loan Aid	\$0	\$0	\$0
4.38 Gifted & Talented	\$0	\$0	\$0	4.51 QZAB Payments	\$0	\$0	\$0
4.40 Teacher Development and Evaluation	\$0	\$0	\$0	4.67 LTFM	\$0	\$0	\$0
4.41 Basic Skills Programs	\$0	\$0	\$0	Restricted:			
4.48 Achievement and Integration	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.49 Safe School Crime - Crime Levy	\$0	\$0	\$0	Unassigned:			
4.51 QZAB Payments	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0				
4.53 Unfunded Sev & Retirement Levy	\$0	\$0	\$0	08 TRUST			
4.59 Basic Skills Extended Time	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.67 LTFM	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.72 Medical Assistance	\$0	\$0	\$0	Restricted / Reserved:			
4.73 PPP Loan	\$0	\$0	\$0	4.01 Student Activities	\$0	\$0	\$0
4.74 EIDL Loan	\$0	\$0	\$0	4.02 Scholarships	\$0	\$0	\$0
Restricted:				4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$0	\$0	\$0				
4.75 Title VII Impact Aid	\$0	\$0	\$0	18 CUSTODIAL			
4.76 Payments in Lieu of Taxes	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Committed:				Total Expenditures	\$0	\$0	\$0
4.18 Committed for Separation	\$0	\$0	\$0	Restricted / Reserved:			
4.61 Committed Fund Balance	\$0	\$0	\$0	4.01 Student Activities	\$0	\$0	\$0
Assigned:				4.02 Scholarships	\$0	\$0	\$0
4.62 Assigned Fund Balance	\$0	\$0	\$0	4.48 Achievement and Integration	\$0	\$0	\$0
Unassigned:				4.64 Restricted Fund Balance	\$0	\$0	\$0
4.22 Unassigned Fund Balance	\$59,977,854	<u>\$59,977,855</u>	(\$1)				
				20 INTERNAL SERVICE			
02 FOOD SERVICES				Total Revenue	\$39,985,672	<u>\$39,985,672</u>	\$0
Total Revenue	\$0	\$0	\$0	Total Expenditures	\$38,045,868	<u>\$38,045,871</u>	(\$3)
Total Expenditures	\$0	\$0	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$6,551,648	<u>\$6,551,647</u>	\$1
Non Spendable:							
4.60 Non Spendable Fund Balance	\$0	\$0	\$0	25 OPEB REVOCABLE TRUST			
Restricted / Reserved:				Total Revenue	\$0	\$0	\$0
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.74 EIDL Loan	\$0	\$0	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
Restricted:							
4.64 Restricted Fund Balance	\$0	\$0	\$0	45 OPEB IRREVOCABLE TRUST			
Unassigned:				Total Revenue	\$0	\$0	\$0
4.63 Unassigned Fund Balance	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
				4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
04 COMMUNITY SERVICE							
Total Revenue	\$0	\$0	\$0	47 OPEB DEBT SERVICE			
Total Expenditures	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Non Spendable:				Total Expenditures	\$0	\$0	\$0
4.60 Non Spendable Fund Balance	\$0	\$0	\$0	Non Spendable:			
Restricted / Reserved:				4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.26 \$25 Taconite	\$0	\$0	\$0	Restricted:			
4.31 Community Education	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.32 E.C.F.E	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.40 Teacher Development and Evaluation	\$0	\$0	\$0	Unassigned:			
4.44 School Readiness	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.47 Adult Basic Education	\$0	\$0	\$0				
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0				
4.73 PPP Loan	\$0	\$0	\$0				
4.74 EIDL Loan	\$0	\$0	\$0				
Restricted:							
4.64 Restricted Fund Balance	\$0	\$0	\$0				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	\$0	\$0				

Fiscal Compliance Report - 6/30/2020

[Help](#) [Logoff](#)

District: **SOURCEWELL TECHNOLOGY (925-82)** [Back](#) [Print](#)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$17,461,736	\$17,461,734	\$2	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$16,937,064	\$16,937,061	\$3	Total Expenditures	\$0	\$0	\$0
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	\$0	\$0	4.07 Capital Projects Levy	\$0	\$0	\$0
4.02 Scholarships	\$0	\$0	\$0	4.13 Project Funded by COP	\$0	\$0	\$0
4.03 Staff Development	\$0	\$0	\$0	4.67 LTFM	\$0	\$0	\$0
4.07 Capital Projects Levy	\$0	\$0	\$0	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.13 Project Funded by COP	\$0	\$0	\$0	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.16 Levy Reduction	\$0	\$0	\$0				
4.17 Taconite Building Maint	\$0	\$0	\$0	07 DEBT SERVICE			
4.24 Operating Capital	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.26 \$25 Taconite	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.27 Disabled Accessibility	\$0	\$0	\$0	<i>Non Spendable:</i>			
4.28 Learning & Development	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.34 Area Learning Center	\$0	\$0	\$0	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.36 State Approved Alt. Program	\$0	\$0	\$0	4.33 Maximum Effort Loan Aid	\$0	\$0	\$0
4.38 Gifted & Talented	\$0	\$0	\$0	4.51 QZAB Payments	\$0	\$0	\$0
4.40 Teacher Development and Evaluation	\$0	\$0	\$0	4.67 LTFM	\$0	\$0	\$0
4.41 Basic Skills Programs	\$0	\$0	\$0	<i>Restricted:</i>			
4.48 Achievement and Integration	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.49 Safe School Crime - Crime Levy	\$0	\$0	\$0	<i>Unassigned:</i>			
4.51 QZAB Payments	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0				
4.53 Unfunded Sev & Retirement Levy	\$0	\$0	\$0	08 TRUST			
4.59 Basic Skills Extended Time	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.67 LTFM	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.72 Medical Assistance	\$0	\$0	\$0	<i>Restricted / Reserved:</i>			
4.73 PPP Loan	\$0	\$0	\$0	4.01 Student Activities	\$0	\$0	\$0
4.74 EIDL Loan	\$0	\$0	\$0	4.02 Scholarships	\$0	\$0	\$0
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$0	\$0	\$0				
4.75 Title VII Impact Aid	\$0	\$0	\$0	4.01 Student Activities	\$0	\$0	\$0
4.76 Payments in Lieu of Taxes	\$0	\$0	\$0	4.02 Scholarships	\$0	\$0	\$0
<i>Committed:</i>				4.48 Achievement and Integration	\$0	\$0	\$0
4.18 Committed for Separation	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.61 Committed Fund Balance	\$0	\$0	\$0				
<i>Assigned:</i>				20 INTERNAL SERVICE			
4.62 Assigned Fund Balance	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
<i>Unassigned:</i>				Total Expenditures	\$0	\$0	\$0
4.22 Unassigned Fund Balance	\$4,388,273	\$4,388,274	(\$1)	4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
02 FOOD SERVICES				25 OPEB REVOCABLE TRUST			
Total Revenue	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
<i>Non Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
4.60 Non Spendable Fund Balance	\$0	\$0	\$0				
<i>Restricted / Reserved:</i>				45 OPEB IRREVOCABLE TRUST			
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.74 EIDL Loan	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$0	\$0	\$0				
<i>Unassigned:</i>				47 OPEB DEBT SERVICE			
4.63 Unassigned Fund Balance	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
				Total Expenditures	\$0	\$0	\$0
04 COMMUNITY SERVICE				<i>Non Spendable:</i>			
Total Revenue	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0	<i>Restricted:</i>			
<i>Non Spendable:</i>				4.25 Bond Refundings	\$0	\$0	\$0
4.60 Non Spendable Fund Balance	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
<i>Restricted / Reserved:</i>				<i>Unassigned:</i>			
4.26 \$25 Taconite	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$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				
4.73 PPP Loan	\$0	\$0	\$0				
4.74 EIDL Loan	\$0	\$0	\$0				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$0	\$0	\$0				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	\$0	\$0	\$0				

Sourcewell
Staples, Minnesota
Schedules of Differences between UFARS and GAAP
Year Ended June 30, 2020

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 77.

Governmental General Fund and Proprietary Cooperative Purchasing Fund

	UFARS		GAAP		Difference
	General Fund	General Fund	General Fund	Cooperative Purchasing	
Statement of Net Position:					
Deferred Outflows of Resources					
Other post-employment benefits	\$ -	\$ -	\$ 7,963	\$ 7,963	\$ 7,963
Pension Plans	-	-	796,078	796,078	796,078
Liabilities					
Long-term liabilities					
Due in more than one year:					
Other post-employment benefits	-	-	71,015	71,015	71,015
Net pension liability	-	-	2,033,392	2,033,392	2,033,392
Deferred Inflows of Resources					
Other post-employment benefits	-	-	2,758	2,758	2,758
Pension Plans	-	-	273,052	273,052	273,052
Fund Balance and Net Position					
GAAP unrestricted		1,897,654	55,778,800		
GAAP restricted		-	725,224		
UFARS Unrestricted	59,977,854	1,897,654	56,504,024		(1,576,176)
Nonspendable	899,098	899,098	-		-
Statement of Revenues, Expenditures, and Changes in Fund Balance and Net Position					
Operating Expenses					
Operations					
Revenues	56,011,451	2,988,870	53,022,581		-
Transfers to Sourcewell Technology from CP					
Expenditures			7,800,000		
Total expenditures per UFARS*	49,138,821	20,787,362	28,543,145		191,686

*Differences in expenditures relate to pension expense and OPEB expense

Sourcewell
Staples, Minnesota
Schedules of Differences between UFARS and GAAP
Year Ended June 30, 2020

Proprietary Risk Management Fund

	<u>UFARS</u> <u>Internal</u> <u>Service</u>	<u>GAAP</u> <u>Risk</u> <u>Management</u>	<u>Difference</u>
Statement of Net Position:			
Deferred Outflows of Resources			
Other post-employment benefits	\$ -	\$ 532	\$ 532
Pension Plans	-	53,036	53,036
Liabilities			
Long-term liabilities			
Due in more than one year -			
Other post-employment benefits	-	4,747	4,747
Net pension liability	-	135,467	135,467
Deferred Inflows of Resources			
Other post-employment benefits	-	184	184
Pension Plans	-	18,191	18,191
Net Position			
GAAP Restricted		86,051	86,051
GAAP Unrestricted		6,360,576	6,360,576
UFARS Unrestricted	6,551,648	<u>6,446,627</u>	<u>(105,021)</u>
Statement of Revenues, Expenditures, and Changes in Net Position			
Operating Expenses			
Operations			
Revenues	39,985,672	39,985,672	-
Expenditures*	38,045,868	38,061,626	15,758

*Differences in expenditures relate to pension expense and OPEB expense

Sourcewell
Staples, Minnesota
Schedules of Differences between UFARS and GAAP
Year Ended June 30, 2020

Proprietary Sourcewell Technology

	UFARS	GAAP	
	General Fund	Sourcewell Technology	Difference
Statement of Net Position:			
Deferred Outflows of Resources			
Other post-employment benefits Pension Plans	\$ -	\$ 1,364	\$ 1,364
	-	1,473,833	1,473,833
Liabilities			
Long-term liabilities			
Due in more than one year - Net pension liability	-	4,620,269	4,620,269
Deferred Inflows of Resources			
Other post-employment benefits Pension Plans	-	23,824	23,824
	-	4,305,913	4,305,913
Net Position			
Unrestricted	4,388,273	(3,086,536)	(7,474,809)
Statement of Revenues, Expenditures, and Changes in Net Position			
Operating Expenses			
Operations			
Transfers from Sourcewell		8,687,940	
Revenues		8,773,796	
Total revenues per UFARS	17,461,736	17,461,736	-
Expenditures*	16,937,064	16,277,575	(659,489)

*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
Staples, Minnesota
Sourcewell Technology Fund
Statement of Net Position
Year Ended June 30, 2020

	Sourcewell Technology Fund
Assets	
Cash and investments	\$ 4,040,254
Receivables	
Accounts	9,644
Due from other governmental units, net of allowance of \$20,000	161,873
Prepaid items	439,222
Capital Assets, net of accumulated depreciation where applicable	
Building and building improvements	576,731
Equipment	913,285
Total assets	6,141,009
Deferred Outflows of Resources	
Other post-employment benefits	1,364
Pension plans	1,473,833
Total deferred outflows of resources	1,475,197
Liabilities	
Accounts payable	252,448
Deferred rent payable	150,741
Accrued payroll	133,559
Due to other governmental units	781,528
Unearned revenue	91,232
Long-term liabilities	
Due within one year:	
Compensated absences	289,698
Due in more than one year:	
Other post-employment benefits	53,530
Net pension liability	4,620,269
Total liabilities	6,373,005
Deferred Inflows of Resources	
Other post-employment benefits	23,824
Pension plans	4,305,913
Total deferred inflows of resources	4,329,737
Net Position (Deficit)	
Investment in capital assets	1,490,016
Unrestricted	(4,576,552)
Total net deficit	\$ (3,086,536)

Sourcewell
Staples, Minnesota
Sourcewell Technology Fund
Statement of Revenues, Expenditures, and Changes in Net Position
Year Ended June 30, 2020

	<u>Sourcewell Technology Fund</u>
Operating Revenues	
Sales	\$ 1,230,549
Cost of sales	<u>1,133,330</u>
Gross profit	<u>97,219</u>
Charges for Services, State Aid, and Other	
Software, license, and support fees	5,180,472
Service fees	1,048,978
Internet fees	1,070,944
Conference fees	511,378
State aid revenue	792,068
Other operating revenues	<u>39,470</u>
Total charges for services, state aid, and other	<u>8,643,310</u>
Total operating revenues	<u>8,740,529</u>
Operating Expenses	
Salaries and wages	5,726,791
Employee benefits	1,421,408
Purchased services	5,868,492
Supplies and materials	47,302
Travel	273,167
Indirect costs from governmental activities	887,940
Insurance	96,568
Telephone, communications, and utilities	82,602
Operating leases and rent	766,206
Depreciation	278,019
State aid passed to members	765,107
Other expenses	<u>59,507</u>
Total operating expenses	<u>16,273,109</u>
Operating Loss	(7,532,580)
Nonoperating Revenues (Expenses)	
Interest income	33,267
Capital lease interest expense	(4,466)
Gain on sale of capital assets	<u>18,488</u>
Total nonoperating revenues (expenses)	<u>47,289</u>
Loss Before Transfers	(7,485,291)
Transfers In	<u>8,687,940</u>
Change in Net Deficit	1,202,649
Net Deficit, Beginning of Year	<u>(4,289,185)</u>
Net Deficit, End of Year	<u>\$ (3,086,536)</u>

Sourcewell
Staples, Minnesota
Sourcewell Technology Fund
Statement of Cash Flows
Year Ended June 30, 2020

	Sourcewell Technology Fund
Operating Activities	
Receipts from sales to customers	\$ 6,943,424
Receipts from state aid	792,068
Payments for interfund balances	(887,940)
Payments to suppliers for goods and services	(6,129,916)
Payments made to employees	(7,053,562)
State aid payments to members	(765,107)
Payments for other operating expenses	19,404
Net cash used for operating activities	(7,081,629)
Investing Activities	
Proceeds from sale of capital assets	22,735
Purchase of capital assets	(459,429)
Investment income	33,267
Net cash used for investment activities	(403,427)
Noncapital financing activities	
Total other post-employment benefits liability and related deferred inflows and outflows of resources	5,296
Net pension liability and related deferred inflows and outflows of resources	(687,360)
Transfer from other funds	8,687,940
Net cash from noncapital financing activities	8,005,876
Capital and Related Financing Activities	
Capital lease interest payments	(4,466)
Principal payments on capital leases	(146,734)
Net cash used for capital and related financing activities	(151,200)
Net Change in Cash and Investments	369,620
Cash and Investments, July 1	3,670,634
Cash and Investments, June 30	\$ 4,040,254
Reconciliation of Operating Loss to Net Cash used for Operating Activities	
Operating loss	\$ (7,532,580)
Adjustments to reconcile operating loss to net cash used for operating activities	
Gain on sale of capital assets	
Depreciation	278,019
Changes in assets and liabilities	
Accounts receivable	4,701
Due from other governmental units	138,847
Prepaid items	216,448
Accounts payable	(332,378)
Deferred rent payable	78,911
Accrued payroll	(3,273)
Due to other governmental units	(12,979)
Unearned revenue	(15,255)
Compensated absences	97,910
Net cash used for operating activities	\$ (7,081,629)



Additional Reports
June 30, 2020

Sourcewell
Staples, Minnesota



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, and each major fund of Sourcewell, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Sourcewell's basic financial statements and have issued our report thereon dated November 20, 2020.

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) 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 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.

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 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*.

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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Fargo, North Dakota
November 20, 2020



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, 2020. 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, 2020.

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.



Fargo, North Dakota
November 20, 2020



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, business-type activities, and each major fund of Sourcewell as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Sourcewell failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Fargo, North Dakota
November 20, 2020

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:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
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