



Financial Statements
June 30, 2021

Sourcewell
Staples, Minnesota

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Name	Position	Term Expires
Elected		
Mike Wilson - Sub-Region IV	Chairperson	12/31/2021
Greg Zylka - Sub-Region IV	Vice-Chairperson	12/31/2024
Sara Nagel - Sub-Region II	Clerk	12/31/2022
Scott Veronen - Sub-Region I	Treasurer	12/31/2022
Sharon Thiel - Sub-Region I	Director	12/31/2021
Chris Kircher - Sub-Region III	Director	12/31/2023
Ryan Thomas - Sub-Region III	Director	12/31/2024
Linda Arts - Sub-Region II	Director	12/31/2023

Management

Dr. Chad Coauette	Executive Director/CEO
Mike Carlson	Director of Finance/CFO
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 each major fund of Sourcewell, Staples, Minnesota, as of and for the year ended June 30, 2021, 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 financial position of each major fund of Sourcewell, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, Sourcewell changed the components of the reporting entity during the year, and, accordingly, has restated the related fund balances and net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 financial 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 financial 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 29, 2021, 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 29, 2021 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.



Fargo, North Dakota
November 29, 2021

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, 2021. As of July 1, 2020, Sourcewell elected to present the previously reported General Fund and Cooperative Purchasing Fund as one combined proprietary fund, Enterprise Solutions. See Note 9 to the financial statements for further information.

Financial Highlights

Key financial highlights for the 2020-2021 fiscal year:

- Net position decreased by \$3,029,429, as summarized below:

Risk Management	\$ (9,185)
Enterprise Solutions	(3,752,672)
Sourcewell Technology	<u>732,428</u>
Total Proprietary Funds	<u><u>\$ (3,029,429)</u></u>

The total proprietary funds net position as of June 30, 2021 is \$64,210,013.

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 the fund financial statements of the proprietary funds, providing both short-term and long-term information about Sourcewell's overall financial status. 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
 - 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

Prior to the change made effective July 1, 2020 as discussed in Note 9, Sourcewell used government-wide statements to report information about Sourcewell as a whole using accounting methods similar to those used by private-sector companies. The government-wide statements are no longer used beginning with fiscal year 2021, however will remain in this management's discussion and analysis for one more year to include comparability to prior years. The statement of net position includes all of Sourcewell's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the 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. Fees for services primarily 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 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 had two kinds of funds prior to July 1, 2020:

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. 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. The business-type funds statements provide an economic resources measurement focus utilizing the accrual basis of accounting, which helps to determine whether programs are beneficial to the members and the agency. As of July 1, 2020, all of Sourcewell's activities are now accounted for within business-type funds.

Financial Analysis of Sourcewell as a Whole

Net position

Sourcewell's combined net position was a positive \$64,210,013 on June 30, 2021.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current assets	\$ -	\$ 5,045,272	\$ 78,787,641	\$ 74,260,359	\$ 78,787,641	\$ 79,305,631
Capital assets	-	11,476,101	12,770,082	1,490,016	12,770,082	12,966,117
Total assets	-	16,521,373	91,557,723	75,750,375	91,557,723	92,271,748
Deferred Outflows of Resources	-	4,876,900	7,295,122	2,332,806	7,295,122	7,209,706
Liabilities						
Current liabilities	-	2,836,492	11,789,678	6,676,724	11,789,678	9,513,216
Long-term liabilities	-	8,608,516	18,927,322	6,918,420	18,927,322	15,526,936
Total liabilities	-	11,445,008	30,717,000	13,595,144	30,717,000	25,040,152
Deferred Inflows of Resources	-	2,577,938	3,925,832	4,623,922	3,925,832	7,201,860
Net Position						
Investment in capital assets	-	11,476,101	12,770,082	1,490,016	12,770,082	12,966,117
Restricted	-	-	-	811,275	-	811,275
Unrestricted	-	(4,100,774)	51,439,931	57,562,824	51,439,931	53,462,050
Total net position	\$ -	\$ 7,375,327	\$ 64,210,013	\$ 59,864,115	\$ 64,210,013	\$ 67,239,442

** The amounts included in the 2020 column have not been restated in relation to the changes made as of July 1, 2020, as disclosed in Note 9.

Sourcewell
Staples, Minnesota
Management's Discussion and Analysis
June 30, 2021

	Governmental Activities		Business-Type Activities		Total	
	**		**		**	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for service	\$ -	\$ 1,474,422	\$ 87,202,278	\$ 100,131,401	\$ 87,202,278	\$ 101,605,823
Operating grants and contributions	-	654,359	-	-	-	654,359
General revenues						
Unrestricted investment earnings	-	-	452,656	1,991,910	452,656	1,991,910
Intergovernmental revenue	-	32,114	1,626,895	792,068	1,626,895	824,182
Miscellaneous	-	827,979	-	-	-	827,979
Total revenues	-	2,988,874	89,281,829	102,915,379	89,281,829	105,904,253
Expenses						
District support services	-	3,107,445	-	-	-	3,107,445
Instructional support services	-	10,262,594	-	-	-	10,262,594
Regular instruction	-	18,747	-	-	-	18,747
Admin support and shared services	-	4,964,061	-	-	-	4,964,061
Special education instruction	-	905,553	-	-	-	905,553
Pupil support services	-	1,925,301	-	-	-	1,925,301
Sites and buildings	-	153,211	-	-	-	153,211
Fiscal and other fixed cost programs	-	155,264	-	-	-	155,264
Risk management	-	-	32,513,422	38,061,626	32,513,422	38,061,626
Cooperative purchasing	-	-	-	20,743,145	-	20,743,145
Enterprise Solutions	-	-	45,710,185	-	45,710,185	-
Sourcewell Technology	-	-	13,963,681	17,406,439	13,963,681	17,406,439
Total expenses	-	21,492,176	92,187,288	76,211,210	92,187,288	97,703,386
Nonoperating items and transfers						
Capital lease interest expense	-	-	-	(4,466)	-	(4,466)
Gain (Loss) on sale of capital assets	-	-	(123,970)	18,488	(123,970)	18,488
Transfers	-	16,875,725	-	(16,875,725)	-	-
Nonoperating items, special items, and transfers	-	16,875,725	(123,970)	(16,861,703)	(123,970)	14,022
Change in Net Position	-	(1,627,577)	(3,029,429)	9,842,466	(3,029,429)	8,214,889
Net Position - Beginning, as Restated (Note 9)	-	9,002,904	67,239,442	50,021,649	67,239,442	59,024,553
Net Position - Ending	\$ -	\$ 7,375,327	\$ 64,210,013	\$ 59,864,115	\$ 64,210,013	\$ 67,239,442

** The amounts included in the 2020 column have not been restated in relation to the changes made as of July 1, 2020, as disclosed in Note 9.

Changes in Net Position. Sourcewell's total revenues were \$89,281,829 for the year ended June 30, 2021.

The total cost of all programs and services was \$92,187,288. Sourcewell's expenses are predominantly related to providing necessary services to members.

The decreasing net position of \$3,029,429 is largely attributed to the planned utilization of financial reserves to fund a regional special education level IV facility in Walker, MN.

Financial Analysis of Sourcewell's Funds

Expenses exceeded revenues before transfers in Risk Management by \$54,493 and revenues exceeded expenses before transfers in Enterprise Solutions by \$5,197,229. The positive net position change in Enterprise Solutions is attributed to the members stable utilization of Cooperative Purchasing contracts during the pandemic, coupled with favorable operating expenses. Expenses exceeded revenues before transfers in Sourcewell Technology by \$8,172,165 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 2021, Sourcewell had net investments of \$12,770,082 in capital assets consisting of land, buildings, land improvements, and equipment. Total depreciation expense for the year was \$1,448,346. More detailed information about Sourcewell's capital assets is presented in Note 4 in the financial statements.

Compensated Absences

On June 30, 2021, Sourcewell had \$1,382,560 in compensated absences. More detailed information is presented in Note 6.

Long-Term Liabilities

At year end, Sourcewell has \$18,460,829 in net pension liability and \$466,493 in OPEB liability. More detailed information about Sourcewell's long-term liabilities are presented in Notes 7 and 8 in the financial statements.

Factors Bearing on Sourcewell's Future

A self-sustaining government organization, Sourcewell has over 40 years of dedicated service helping government, education, and nonprofit agencies operate more efficiently through a variety of solutions.

Sourcewell's ongoing priorities are focused around, Cooperative Purchasing revenue growth, Sourcewell Technology business model success, and Enterprise Solutions impact. Management has maintained strong financial reserves to help bridge unforeseen financial forecast gaps in these business-like activities.

Sourcewell's Cooperative Purchasing program is very mature and financially sound solution. The program offers members over 400 competitively solicited cooperative contracts ready for government, education, and nonprofit organization use. This saves time and money! Management is committed to continually growing the size, scale, and value of this best-in-class solution.

Sourcewell Technology has sustained significant operating losses over the past three years as management restructured the organizations roles, processes, and technology to align to its strategic vision. In the current fiscal year, the organization maintained a rolling 3 year business operating plan which includes aggressively promoting its award winning school technology solutions on a national scale. Much focus has been placed on revolutionizing the customer journey of its software adoption to deliver value added impact to their customers. Management believes there is significant demand for their school 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.

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/CFO, at Sourcewell, 202 12th Street NE, Staples, MN 56479.

Sourcewell
Staples, Minnesota
Statement of Net Position
June 30, 2021

	Risk Management	Enterprise Solutions	Sourcewell Technology	Total
Assets				
Cash and investments	\$ 8,921,988	\$ 46,996,429	\$ 4,124,352	\$ 60,042,769
Receivables				
Accounts	859,213	15,995,776	52,624	16,907,613
Due from other governmental units, net of allowance	-	368,622	96,829	465,451
Prepaid items	-	990,957	380,851	1,371,808
Capital assets, net of accumulated depreciation where applicable				
Land	-	313,293	-	313,293
Work in progress	-	41,673	-	41,673
Building and building improvements	-	8,341,015	514,725	8,855,740
Land improvements	-	230,127	-	230,127
Equipment	-	2,815,541	513,708	3,329,249
Total assets	9,781,201	76,093,433	5,683,089	91,557,723
Deferred Outflows of Resources				
Other post-employment benefits	1,121	54,924	3,351	59,396
Pension plans	101,869	6,163,595	970,262	7,235,726
Total deferred outflows of resources	102,990	6,218,519	973,613	7,295,122
Liabilities				
Accounts payable	608,568	3,982,239	424,719	5,015,526
Deferred rent payable	-	-	155,730	155,730
Accrued payroll	34,124	1,535,116	171,703	1,740,943
Due to other governmental units	-	-	520,228	520,228
Unearned revenue	-	288,918	192,294	481,212
Health claims payable	2,493,479	-	-	2,493,479
Compensated absences	15,553	1,100,047	266,960	1,382,560
Long-term liabilities				
Other post-employment benefits	8,046	394,249	64,198	466,493
Net pension liability	276,593	13,314,128	4,870,108	18,460,829
Total liabilities	3,436,363	20,614,697	6,665,940	30,717,000
Deferred Inflows of Resources				
Other post-employment benefits	436	21,375	17,868	39,679
Pension plans	9,950	1,549,201	2,327,002	3,886,153
Total deferred inflows of resources	10,386	1,570,576	2,344,870	3,925,832
Net Position (Deficit)				
Investment in capital assets	-	11,741,649	1,028,433	12,770,082
Unrestricted	6,437,442	48,385,030	(3,382,541)	51,439,931
Total net position (deficit)	\$ 6,437,442	\$ 60,126,679	\$ (2,354,108)	\$ 64,210,013

Sourcewell
Staples, Minnesota

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021

	Risk Management	Enterprise Solutions	Sourcewell Technology	Total
Operating Revenues				
Sales	\$ -	\$ -	\$ 642,795	\$ 642,795
Cost of sales	-	-	615,991	615,991
Gross profit	-	-	26,804	26,804
Professional services and intergovernmental revenue				
Software, license, and service fees	-	1,822,403	4,665,733	6,488,136
Intergovernmental revenue	-	1,087,703	539,192	1,626,895
Insurance premiums	32,396,235	-	-	32,396,235
Administrative fees	-	47,486,640	-	47,486,640
Other operating revenues	-	125,818	62,654	188,472
Total professional services and intergovernmental revenue	32,396,235	50,522,564	5,267,579	88,186,378
Total operating revenues	32,396,235	50,522,564	5,294,383	88,213,182
Operating Expenses				
Salaries and wages	241,478	17,221,851	5,442,346	22,905,675
Employee benefits	98,768	6,969,111	2,048,647	9,116,526
Actuarial pension adjustment	84,053	1,095,238	(1,225,501)	(46,210)
Purchased services	35,988	17,554,711	3,906,291	21,496,990
Supplies and materials	124	2,173,488	42,413	2,216,025
Travel	391	676,236	16,066	692,693
Indirect costs	351,164	(1,455,757)	1,104,593	-
Insurance claims and expenses	31,694,182	137,516	89,256	31,920,954
Intergovernmental revenue passed to members	-	-	505,689	505,689
Depreciation	-	1,114,284	334,062	1,448,346
Impairment of capital assets	-	-	406,112	406,112
Other expenses	7,274	223,507	677,716	908,497
Total operating expenses	32,513,422	45,710,185	13,347,690	91,571,297
Operating Income (Loss)	(117,187)	4,812,379	(8,053,307)	(3,358,115)
Nonoperating Revenues (Expenses)				
Investment gain	62,694	384,850	5,112	452,656
Loss on disposal of capital assets	-	-	(123,970)	(123,970)
Total nonoperating revenues (expenses)	62,694	384,850	(118,858)	328,686
Income (Loss) Before Transfers	(54,493)	5,197,229	(8,172,165)	(3,029,429)
Transfers In	45,308	-	8,904,593	8,949,901
Transfers Out	-	(8,949,901)	-	(8,949,901)
Change in Net Position	(9,185)	(3,752,672)	732,428	(3,029,429)
Net Position (Deficit), Beginning of Year, as Restated (Note 9)	6,446,627	63,879,351	(3,086,536)	67,239,442
Net Position (Deficit), End of Year	\$ 6,437,442	\$ 60,126,679	\$ (2,354,108)	\$ 64,210,013

Sourcewell
Staples, Minnesota
Statement of Cash Flows
Year Ended June 30, 2021

	Risk Management	Enterprise Solutions	Sourcewell Technology	Total
Operating Activities				
Receipts from sales to customers	\$ -	\$ 49,754,554	\$ 5,494,308	\$ 55,248,862
Receipts from state and federal aid	-	1,087,703	539,192	1,626,895
Receipts from participants	32,614,600	-	-	32,614,600
Payments to suppliers for goods and services	(387,276)	(16,780,199)	(5,805,268)	(22,972,743)
Payments made to employees	(329,313)	(23,958,132)	(7,472,862)	(31,760,307)
State aid payments to members	-	-	(505,689)	(505,689)
Payments for insurance claims and administration	(31,773,425)	-	-	(31,773,425)
Payments for other operating expenses	(7,666)	(676,237)	(672,727)	(1,356,630)
Net cash from (used for) operating activities	116,920	9,427,689	(8,423,046)	1,121,563
Investing Activities				
Proceeds from sale of capital assets	-	-	7,941	7,941
Purchase of capital assets	-	(1,379,832)	(410,502)	(1,790,334)
Investment income	62,694	384,850	5,112	452,656
Net cash from (used for) investing activities	62,694	(994,982)	(397,449)	(1,329,737)
Noncapital Financing Activities				
Transfer from other funds	45,308	-	8,904,593	8,949,901
Transfer to other funds	-	(8,949,901)	-	(8,949,901)
Net cash from noncapital financing activities	45,308	(8,949,901)	8,904,593	-
Net Change in Cash and Investments	224,922	(517,194)	84,098	(208,174)
Cash and Investments, July 1	8,697,066	47,513,623	4,040,254	60,250,943
Cash and Investments, June 30	\$ 8,921,988	\$ 46,996,429	\$ 4,124,352	\$ 60,042,769
Reconciliation of Operating (Loss) Income to				
Net cash used for operating activities				
Operating (loss) income	\$ (117,187)	\$ 4,812,379	\$ (8,053,307)	\$ (3,358,115)
Adjustments to reconcile operating (loss) income				
to net cash from operating activities				
Depreciation	-	1,114,284	334,062	1,448,346
Asset impairment	-	-	406,112	406,112
Changes in assets and liabilities				
Accounts receivable	218,365	(54,736)	(42,980)	120,649
Due from other governmental units	-	85,511	65,044	150,555
Prepaid items	-	(19,759)	58,371	38,612
Deferred outflows of resources	(49,422)	(537,578)	501,584	(85,416)
Accounts payable	(91,520)	1,873,025	172,271	1,953,776
Deferred rent payable	-	-	4,989	4,989
Accrued payroll	7,809	(152,350)	38,144	(106,397)
Due to other governmental units	-	-	(261,300)	(261,300)
Health claims payable	12,277	-	-	12,277
Unearned revenue	-	288,918	101,062	389,980
Compensated absences	162	305,713	(22,738)	283,137
Other post-employment benefits	3,299	90,772	10,668	104,739
Net pension liability	141,126	2,904,682	249,839	3,295,647
Deferred inflows of resources	(7,989)	(1,283,172)	(1,984,867)	(3,276,028)
Net cash from (used for) operating activities	\$ 116,920	\$ 9,427,689	\$ (8,423,046)	\$ 1,121,563

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, sub 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 Technology is reported as a blended 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. Basis of Accounting

Sourcewell's basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The accompanying financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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

Proprietary activities are normally financed in whole or in part by fees and charges for services to external parties. Sourcewell's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets, liabilities, net position, revenues, and expenses are accounted for through 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.

Enterprise Solutions – 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. In addition, this is used as the general operating fund and accounts for all financial resources and transactions except those accounted for in other funds.

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

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

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.

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 Enterprise Solutions 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 received on average 4 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 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 capital assets are recorded as capital assets at acquisition value at the date of donation. Sourcewell maintains a threshold level of \$15,000 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 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, 2021.

Compensated Absences Payable

Vacation – Sourcewell compensates substantially all full-time employees for unused vacation upon termination. As of June 30, 2021, 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.

Long-Term Liabilities

Long-term debt and other long-term liabilities are reported as liabilities in the applicable business-type activities.

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 District. 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 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 two items that qualify for reporting in this category on the statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

Deferred Inflows of Resources

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. Deferred inflows related to pension and OPEB activity as a result of various estimate differences that will be recognized as expenses in future years, reported in the 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.

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 2021.

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 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, 2021.

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, 2021, Sourcewell had the following cash and investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Not Applicable	< 1	1 - 5	> 5
Cash and Cash Equivalents					
Deposits	\$ 7,422,645	\$ 7,422,645	\$ -	\$ -	\$ -
Investments					
Money Market	4,067,089	4,067,089	-	-	-
U.S. Government Securities	15,671,201	-	85	5,222,399	10,448,717
Municipal Bonds	32,881,834	-	980,028	15,293,524	16,608,282
	<u>\$ 60,042,769</u>	<u>\$ 11,489,734</u>	<u>\$ 980,113</u>	<u>\$ 20,515,923</u>	<u>\$ 27,056,999</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, 2021:

- U.S. government securities of \$15,671,201 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$32,881,834 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, 2021, 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, 2021, include:

Fund	Federal	State	Other	Total
Enterprise Solutions	\$ 259,822	\$ 19,272	\$ 89,528	\$ 368,622
Sourcewell Technology	-	96,829	-	96,829
	<u>\$ 259,822</u>	<u>\$ 116,101</u>	<u>\$ 89,528</u>	<u>\$ 465,451</u>

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020, as restated	Additions	Deletions	Balance June 30, 2021
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 313,293	\$ -	\$ -	\$ 313,293
Work in progress	704,140	41,673	704,140	41,673
Total capital assets, not being depreciated	<u>1,017,433</u>	<u>41,673</u>	<u>704,140</u>	<u>354,966</u>
Capital assets being depreciated				
Buildings and improvements	11,029,753	17,877	-	11,047,630
Land improvements	343,530	5,437	-	348,967
Equipment and software	9,374,022	2,452,834	740,447	11,086,409
Total capital assets being depreciated	<u>20,747,305</u>	<u>2,476,148</u>	<u>740,447</u>	<u>22,483,006</u>
Less accumulated depreciation for				
Buildings and improvements	1,823,533	368,358	-	2,191,891
Land improvements	92,676	26,164	-	118,840
Equipment and software	6,882,412	1,053,824	179,077	7,757,159
Total accumulated depreciation	<u>8,798,621</u>	<u>1,448,346</u>	<u>179,077</u>	<u>10,067,890</u>
Capital assets being depreciated, net	<u>11,948,684</u>	<u>1,027,802</u>	<u>561,370</u>	<u>12,415,116</u>
Business-type activities capital assets, net	<u>\$ 12,966,117</u>	<u>\$ 1,069,475</u>	<u>\$ 1,265,510</u>	<u>\$ 12,770,082</u>

Depreciation expense for the year ended June 30, 2021 was charged to the following functions/programs:

Business-type activities	
Enterprise Solutions	\$ 1,114,284
Sourcewell Technology	<u>334,062</u>
Total depreciation expense	<u><u>\$ 1,448,346</u></u>

Note 5 - 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, 2021. For comparative reasons the reconciliation of unpaid claims liabilities at June 30, 2020 is also presented.

	<u>2021</u>	<u>2020</u>
Health claims payable, beginning balance	\$ 2,481,202	\$ 2,620,935
Incurred claims		
Provision for insured events of current year	34,218,568	36,157,409
Increase (decrease) in provision for insured events of prior years	<u>(5,829,580)</u>	<u>(1,147,944)</u>
Total incurred claims	<u>28,388,988</u>	<u>35,009,465</u>
Payments		
Claims attributable to insured events of current year	(25,573,644)	(33,116,578)
Claims attributable to insured events of prior years	<u>(2,803,067)</u>	<u>(2,032,620)</u>
Total payments	<u>(28,376,711)</u>	<u>(35,149,198)</u>
Health claims payable, ending balance	<u><u>\$ 2,493,479</u></u>	<u><u>\$ 2,481,202</u></u>

Note 6 - Compensated Absences Payable

This amount consists of a calculation based on accrued vacation days and employees' rate of pay. Compensated absences are paid out of all three funds. Changes in compensated absences during the year ended June 30, 2021 are as follows:

	Balance July 1, 2020, as restated	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Business-type activities					
Compensated absences	<u>\$ 1,099,423</u>	<u>\$ 1,619,450</u>	<u>\$ 1,336,313</u>	<u>\$ 1,382,560</u>	<u>\$ 1,382,560</u>

Note 7 - 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 fund:

	Risk Management	Enterprise Solutions	Sourcewell Technology	Total
Other post-employment benefits liability	\$ 8,046	\$ 394,249	\$ 64,198	\$ 466,493
Deferred outflows of resources	1,121	54,924	3,351	59,396
Deferred inflows of resources	436	21,375	17,868	39,679

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

	Sourcewell	Sourcewell Technology	Total
Other post-employment benefits liability	\$ 402,295	\$ 64,198	\$ 466,493
Deferred outflows of resources	56,045	3,351	59,396
Deferred inflows of resources	21,811	17,868	39,679

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 by Sourcewell 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>186</u>
	<u><u>188</u></u>

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	<u>62</u>
	<u><u>62</u></u>

D. Total OPEB Liability

Sourcewell and Sourcewell Technology's total OPEB liabilities of \$402,295 and \$64,198, respectively, were measured as of July 1, 2020 and were determined by actuarial valuations as of July 1, 2020 and July 1, 2019, respectively.

E. Actuarial Assumptions

Sourcewell

The total OPEB liability in the July 1, 2020 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 years of service	
Discount rate	2.40 percent	
Healthcare cost trend rates	6.50% as of July 1, 2020, grading to 5.00% over 6 years and then to 4.00% over the next 48 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 Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers), with MP-2019 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2020 valuation were based on inputs from a variety of published sources of historical and projected future financial data.

The following changes in assumptions were made for the year ending June 30, 2021:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.10% to 2.40%.

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 years of service	
Discount rate	3.10 percent	
Healthcare cost trend rates	6.25 percent in 2020, grading to 5.00 percent over 5 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 inputs from a variety of published sources of historical and projected future financial data.

There were no changes in actuarial assumptions made for the year ending June 30, 2021.

F. Changes in the Total OPEB Liability

Sourcewell

Balance at July 1, 2020	\$ 308,223
Changes from the Prior Year:	
Service cost	73,971
Interest cost	11,469
Assumption changes	(15,403)
Differences between expected and actual experience	48,650
Benefit payments	<u>(24,615)</u>
Net Change	<u>94,072</u>
Balance at June 30, 2021	<u><u>\$ 402,295</u></u>

Sourcewell Technology

Balance at July 1, 2020	\$ 53,530
Changes from the Prior Year:	
Service cost	10,081
Interest cost	1,951
Benefit payments	<u>(1,364)</u>
Net Change	<u>10,668</u>
Balance at June 30, 2021	<u><u>\$ 64,198</u></u>

G. 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	1.40%	2.40%	3.40%
Total OPEB Liability	\$ 428,921	\$ 402,295	\$ 376,784

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	5.50%, grading to 4.00% over 6 years and then to 3.00% over the next 48 years	6.50%, grading to 5.00% over 6 years and then to 4.00% over the next 48 years	7.50%, grading to 6.00% over 6 years and then to 5.00% over the next 48 years
Total OPEB Liability	\$ 357,160	\$ 402,295	\$ 455,123

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	\$ 67,122	\$ 64,198	\$ 61,370

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

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.25%, 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	\$ 58,414	\$ 64,198	\$ 70,948

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

Sourcewell

For the year ended June 30, 2021, Sourcewell recognized OPEB expense of \$90,226. At June 30, 2021, Sourcewell reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses/gains	\$ 40,541	\$ 6,652
Assumption changes	7,709	15,159
Employer contributions made after the measurement date	7,795	-
	<u>\$ 56,045</u>	<u>\$ 21,811</u>

The \$7,795 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Years Ended June 30,	OPEB Expense Amount
2022	\$ 4,786
2023	4,786
2024	4,790
2025	6,535
2026	5,542

Sourcewell Technology

For the year ended June 30, 2021, Sourcewell Technology recognized OPEB expense of \$6,076. At June 30, 2021, Sourcewell Technology reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains	\$ -	\$ 9,345
Assumption changes	-	8,523
Employer contributions made after the measurement date	3,351	-
	<u>\$ 3,351</u>	<u>\$ 17,868</u>

The \$3,351 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Years Ended June 30,	OPEB Expense Amount
2022	\$ (5,956)
2023	(5,956)
2024	(5,956)

Note 8 - Defined Benefit Pension Plans

Substantially all employees of Sourcewell and its blended component unit, Sourcewell Technology, 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.

Sourcewell and its 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 schedules are intended to assist in reconciling the entity note disclosures to the financial statements.

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

		Business-Type Activities			
	Risk Management	Enterprise Solutions	Sourcewell Technology	Total	
Net pension liability	\$ 276,593	\$ 13,314,128	\$ 4,870,108	\$ 18,460,829	
Deferred outflows of resources	101,869	6,163,595	970,262	7,235,726	
Deferred inflows of resources	9,950	1,549,201	2,327,002	3,886,153	

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

	Sourcewell		Sourcewell Technology		
	PERA	TRA	PERA	TRA	Total
Net pension liability	\$ 11,019,650	\$ 2,571,071	\$ 4,160,847	\$ 709,261	\$ 18,460,829
Deferred outflows of resources	4,058,482	2,206,982	396,821	573,441	7,235,726
Deferred inflows of resources	396,426	1,162,725	1,321,584	1,005,418	3,886,153

Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

Sourcewell and Sourcewell Technology participate in the General Employees Retirement Plan, a 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.

The General Employees Retirement Plan covers certain full time and part-time employees of Sourcewell and Sourcewell Technology, other than teachers. General Employees Plan members belong to 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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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 2021. 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, 2021, were \$1,047,158 and \$356,945, respectively. Sourcewell and Sourcewell Technology's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At June 30, 2021, Sourcewell and Sourcewell Technology reported liabilities of \$11,019,650 and \$4,160,847, respectively, for their proportionate share of the General Employees Fund's net pension liability. Sourcewell and Sourcewell Technology's net pension liabilities reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 liabilities associated with Sourcewell and Sourcewell Technology totaled \$274,155 and \$124,661, respectively. The net pension liabilities were measured as of June 30, 2020, and the total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. Sourcewell and Sourcewell Technology's proportionate shares of the net pension liability was based on their contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. Sourcewell's proportionate share was 0.1838 percent at the end of the measurement period and 0.1596 percent for the beginning of the period. At June 30, 2020, Sourcewell Technology's proportionate share was 0.0694 percent at the end of the measurement period and 0.0725 percent for the beginning of the period.

Sourcewell's proportionate share of net pension liability	\$ 11,019,650
State of Minnesota's proportionate share of the net pension liability associated with Sourcewell	<u>339,865</u>
Total	<u><u>\$ 11,359,515</u></u>
Sourcewell Technology's proportionate share of net pension liability	\$ 4,160,847
State of Minnesota's proportionate share of the net pension liability associated with Sourcewell Technology	<u>128,234</u>
Total	<u><u>\$ 4,289,081</u></u>

For the year ended June 30, 2021, Sourcewell and Sourcewell Technology recognized pension expense of \$1,313,068 and \$128,234, respectively, for their proportionate shares of General Employees Fund's pension expense. In addition, Sourcewell and Sourcewell Technology recognized \$29,579 and \$11,160, 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, 2021, Sourcewell reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 86,461	\$ 41,693
Changes in actuarial assumptions	-	354,733
Net collective difference between projected and actual investment earnings	549,705	-
Changes in proportion	2,375,158	-
Contributions paid to PERA subsequent to the measurement date subsequent to the measurement date	1,047,158	-
Total	<u>\$ 4,058,482</u>	<u>\$ 396,426</u>

The \$1,047,158 reported as deferred outflows of resources related to pensions resulting from Sourcewell contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2022	\$ 919,379
2023	887,435
2024	541,845
2025	266,239

Sourcewell Technology

At June 30, 2021, Sourcewell Technology reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 39,876	\$ 15,743
Changes in actuarial assumptions	-	165,496
Net collective difference between projected and actual investment earnings	-	101,046
Changes in proportion	-	1,039,299
Contributions paid to PERA subsequent to the measurement date subsequent to the measurement date	<u>356,945</u>	<u>-</u>
Total	<u>\$ 396,821</u>	<u>\$ 1,321,584</u>

The \$356,945 reported as deferred outflows of resources related to pensions resulting from Sourcewell Technology contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ (1,200,302)
2023	(218,469)
2024	36,536
2025	100,527

E. Actuarial Assumptions

The total pension liability for both entities in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.25% per year
Active Member Payroll Growth	3.00% 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 were based on Pub-2010 General Employee Mortality table for the General Employees Plan 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, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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	35.50%	5.10%
International Equity	17.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Unallocated Cash	2.00%	0.00%
	<u>100.0%</u>	

F. Discount Rate

The discount rate used to measure the total pension liabilities in 2020 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 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 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 the plan 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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis *Net Pension Liability (Asset) at Different Discount Rates*

	General Employees Fund	
1% Lower	6.50%	\$ 17,660,677
Current Discount Rate	7.50%	\$ 11,019,650
1% Higher	8.50%	\$ 5,541,337

The following presents Sourcewell Technology's proportionate share of the net pension liability for the plan 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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund	
1% Lower	6.50%	\$ 6,668,395
Current Discount Rate	7.50%	\$ 4,160,847
1% Higher	8.50%	\$ 2,092,322

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 Defined Contribution Plan (DCR) administered by Minnesota State.

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, 2019, June 30, 2020, and June 30, 2021, were:

	June 30, 2019		June 30, 2020		June 30, 2021	
	Employees	Employers	Employees	Employers	Employees	Employers
Basic	11.00%	11.71%	11.00%	11.92%	11.00%	12.13%
Coordinated	7.50%	7.71%	7.50%	7.92%	7.50%	8.13%

The following is a reconciliation of employer contributions in TRA's fiscal year 2020 Comprehensive Annual Financial Report "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 Comprehensive Annual Financial Report, Statement of Changes in Fiduciary Net Position	\$425,223,000
Add employer contributions not related to future contribution efforts	(56,000)
Deduct TRA's contributions not included in allocation	<u>(508,000)</u>
Total employer contributions	424,659,000
Total non-employer contributions	<u>35,587,000</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 460,246,000</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, 2020, 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, 2020
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 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually

Mortality assumptions

Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Unallocated Cash	2.00%	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 six years in the schedule presented. The amortization period for *Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments* is five 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 2020 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, 2021, Sourcewell and Sourcewell Technology reported liabilities of \$2,571,071 and \$709,261, respectively, for their proportionate shares of the net pension liability. The net pension liability was measured as of June 30, 2020, 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 0.0348 percent at the end of the measurement period and 0.0270 percent for the beginning of the year. Sourcewell Technology's proportionate share was 0.0096 percent at the end of the measurement period and 0.0096 percent 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:

Sourcewell's proportionate share of net pension liability	<u>\$ 2,571,071</u>
State's proportionate share of the net pension liability associated with Sourcewell	<u>\$ 215,370</u>

For the year ended June 30, 2021, Sourcewell recognized pension expense of \$337,414. It also recognized \$19,729 as an increase to pension expense for the support provided by direct aid.

At June 30, 2021, Sourcewell reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 51,560	\$ 22,231
Changes in actuarial assumptions	274,402	1,140,494
Difference between projected and actual investment earnings	130,429	-
Change in proportion and differences between contributions made and employer's proportionate share of contributions	1,583,307	-
Employer's contributions to TRA subsequent to the measurement date	167,284	-
Total	<u>\$ 2,206,982</u>	<u>\$ 1,162,725</u>

The \$167,284 reported as deferred outflows of resources related to pensions resulting from District 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, 2022.

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

Years Ended June 30,	Pension Expense Amount
2022	\$ 285,706
2023	43,698
2024	94,833
2025	310,112
2026	142,624

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	<u>\$ 709,261</u>
State's proportionate share of the net pension liability associated with the employer	<u>\$ 59,412</u>

For the year ended June 30, 2021, Sourcewell Technology recognized pension expense of \$70,221. It also recognized \$5,443 as an increase to pension expense for the support provided by direct aid.

At June 30, 2021, 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	\$ 14,224	\$ 11,884
Changes in actuarial assumptions	410,556	622,658
Difference between projected and actual investment earnings	5,385	-
Change in proportion and differences between contributions made and employer's proportionate share of contributions	97,053	370,876
Employer's contributions to TRA subsequent to the measurement date	46,223	-
Total	<u>\$ 573,441</u>	<u>\$ 1,005,418</u>

The \$46,223 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, 2022.

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

Years Ended June 30,	Pension Expense Amount
2022	\$ 9,156
2023	(383,415)
2024	(121,280)
2025	14,387
2026	2,952

G. Pension Liability Sensitivity

The following presents Sourcewell and Sourcewell Technology's proportionate shares of the net pension liability calculated using the discount rate of 7.50% as well what the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	<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%
Sourcewell's proportionate share of the TRA net pension liability	\$ 3,936,282	\$ 2,571,071	\$ 1,446,206
	<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%
Sourcewell Technology's proportionate share of the TRA net pension liability	\$ 1,085,871	\$ 709,261	\$ 398,953

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

H. Pension Plan Fiduciary Net Position

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

Note 9 - Restatement of Beginning Balances

During the year ended June 30, 2021, Sourcewell elected to present the General Fund and Cooperative Purchasing Fund as one proprietary fund, the Enterprise Solutions Fund. Previously, the General Fund was reported as a governmental fund and the Cooperative Purchasing Fund was reported as a proprietary fund. The change of these funds to be presented as one proprietary fund constitutes a change in reporting entity and was done to better align with the internal reporting of these activities as well as improve consistency of reporting with the long-term goals of the organization.

The effects of the restatement on fund balance and net position as previously reported are as follows:

	Fund Balance/ Net Position June 30, 2020, as previously reported	Effect of Reclassification to Enterprise Solutions Fund	Fund Balance/ Net Position July 1, 2020, as restated
General Fund	\$ 2,796,752	\$ (2,796,752)	\$ -
Governmental Activities	\$ 7,375,327	\$ (7,375,327)	\$ -
Cooperative Purchasing Fund	\$ 56,504,024	\$ (56,504,024)	\$ -
Enterprise Solutions Fund	\$ -	\$ 63,879,351	\$ 63,879,351

Note 10 - Interfund Transfers

Sourcewell had the following transfers during the year ended June 30, 2021:

Transfer In	Transfer Out Enterprise Solutions
Risk Management	\$ 45,308
Sourcewell Technology	8,904,593
	<u>\$ 8,949,901</u>

During the year ended June 30, 2021, \$45,308 was transferred from the Enterprise Solutions Fund to the Risk Management Fund to offset indirect costs. \$7,800,000 was transferred from the Enterprise Solutions Fund to the Sourcewell Technology Fund to fund Sourcewell Technology's operating deficit. In addition, \$1,104,593 was transferred from the Enterprise Solutions fund to Sourcewell Technology to allocate indirect costs.

Note 11 - Deficit Net Position

The Sourcewell Technology fund has a deficit net position of \$2,354,108. 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 Enterprise Solutions Fund.

Note 12 - Joint Powers Agreement

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

Note 13 - Related Party Transactions

Sourcewell and Metro ECSU are governing members of a Joint Powers Board governing over Sourcewell Technology, a blended component unit of Sourcewell. Metro ECSU is an educational service cooperative in Arden Hills, Minnesota, that provides various educational services to Sourcewell. During the year ended June 30, 2021, Sourcewell made payments totaling \$14,992 to Metro ECSU for various educational services during the year ended June 30, 2021, Sourcewell Technology made payments totaling \$14,483 for eFP Implementation.

Note 14 - 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.



Required Supplementary Information
June 30, 2021

Sourcewell

Staples, Minnesota

Sourcewell
Staples, Minnesota

Schedule of Changes in Sourcewell's Total OPEB Liability and Related Ratios
June 30, 2021

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

	2021	2020	2019	2018
Service cost	\$ 73,971	\$ 57,654	\$ 53,450	\$ 37,868
Interest cost	11,469	10,872	8,845	6,243
Assumption changes	(15,403)	5,979	7,450	(5,424)
Plan changes	-	-	16,963	-
Differences between expected and actual experience	48,650	-	(13,309)	-
Benefit payments	(24,615)	(38,200)	(16,197)	(2,765)
Net change in total OPEB liability	94,072	36,305	57,202	35,922
Total OPEB liability - beginning	308,223	271,918	214,716	178,794
Net OPEB liability, end of year	<u>\$ 402,295</u>	<u>\$ 308,223</u>	<u>\$ 271,918</u>	<u>\$ 214,716</u>
Covered payroll	\$ 15,471,417	\$ 11,699,462	\$ 11,358,701	\$ 6,879,565
District's total OPEB liability as a percentage of covered payroll	2.60%	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.

2020 Changes

There were no changes in benefits.

Assumption Changes:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.10% to 2.40%.

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, 2021

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

	2021	2020	2019	2018
Service cost	\$ 10,081	\$ 9,787	\$ 8,812	\$ 8,555
Interest cost	1,951	2,829	2,569	2,489
Assumption changes	-	(14,205)	-	-
Differences between actual and expected experience	-	(15,575)	-	-
Benefit payments	(1,364)	(5,413)	(4,004)	(13,821)
Net change in total OPEB liability	10,668	(22,577)	7,377	(2,777)
Total OPEB liability - beginning	53,530	76,107	68,730	71,507
Net OPEB liability, end of year	<u>\$ 64,198</u>	<u>\$ 53,530</u>	<u>\$ 76,107</u>	<u>\$ 68,730</u>
Covered payroll	\$ 6,185,259	\$ 6,005,106	\$ 6,249,847	\$ 6,067,813
District's total OPEB liability as a percentage of covered payroll	1.04%	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.

2020 Changes

There were no changes in benefits or actuarial assumptions.

2019 Changes

There were no changes in benefits.

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%.

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.

	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21
1. Net earned required contribution and investment revenues	\$ (1,359,385)	\$ 1,690,357	\$ 1,591,039	\$ (526,270)	\$ 525,610	\$ (503,137)	\$ (1,231,893)	\$ (1,378,313)	\$ 1,383,703	\$ (245,894)
2. Unallocated expenses	424,854	398,368	409,470	407,616	430,012	456,522	496,115	617,648	935,995	731,883
3. Estimated incurred claims, both paid and accrued, end of policy year	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	34,218,568
4. Payments as of:										
End of policy year	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	25,573,644
One year later	23,284,339	22,146,866	44,053,472	26,714,911	28,192,765	24,345,943	31,123,597	35,312,888	35,946,656	
Two years later	23,219,855	21,137,123	44,039,282	26,685,401	28,178,420	24,350,824	30,812,888	35,294,210		
Three years later	21,412,512	21,135,428	44,038,972	26,684,254	28,171,377	24,069,280	30,807,803			
Four years later	21,412,446	21,135,389	44,046,716	26,684,254	28,170,741	24,069,655				
Five years later	21,412,434	21,135,389	44,046,716	26,684,010	28,170,741					
Six years later	21,412,434	21,135,389	44,046,716	26,680,387						
Seven years later	21,412,434	21,135,389	44,046,716							
Eight years later	21,412,434	21,135,389								
Nine years later	21,412,434									
Ten years later										

Sourcewell
Staples, Minnesota
Sourcewell
June 30, 2021

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	6/30/2020	0.1838%	\$ 11,019,650	\$ 339,865	\$ 11,359,515	\$ 12,312,307	89.5%	79.1%
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	6/30/2020	0.0348%	\$ 2,571,071	\$ 215,370	\$ 2,786,441	\$ 2,020,114	127.3%	75.5%
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	6/30/2021	\$ 1,047,158	\$ 1,047,158	\$ -	\$ 13,962,107	7.5%
PERA	6/30/2020	\$ 923,423	\$ 923,423	\$ -	\$ 12,312,307	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	6/30/2021	\$ 167,284	\$ 167,284	\$ -	\$ 2,057,614	8.1%
TRA	6/30/2020	\$ 159,993	\$ 159,993	\$ -	\$ 2,020,114	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.

Sourcewell
Staples, Minnesota
Sourcewell Technology
June 30, 2021

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 (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (c) (a+b)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2020	0.0694%	\$ 4,160,847	\$ 128,234	\$ 4,289,081	\$ 4,648,933	89.5%	79.1%
PERA	6/30/2019	0.0725%	\$ 4,008,363	\$ 124,661	\$ 4,133,024	\$ 4,729,720	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	6/30/2020	0.0096%	\$ 709,261	\$ 59,412	\$ 768,673	\$ 559,596	126.7%	75.5%
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	6/30/2021	\$ 356,945	\$ 356,945	\$ -	\$ 4,759,267	7.5%
PERA	6/30/2020	\$ 348,670	\$ 348,670	\$ -	\$ 4,648,933	7.5%
PERA	6/30/2019	\$ 354,729	\$ 354,729	\$ -	\$ 4,729,720	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	6/30/2021	\$ 46,223	\$ 46,223	\$ -	\$ 568,549	8.1%
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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The mortality 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 mortality 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

2020 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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 o 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes of benefit terms:

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

Changes in Actuarial 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 Comprehensive Annual Financial Report

Changes in Plan Provisions

- None

PERA's Comprehensive Annual Financial Report 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>.



Other Supplementary Information
June 30, 2021

Sourcewell

Staples, Minnesota

Sourcewell
Staples, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	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	84.027	0924-83-000 Formula - 421	\$ 592,355
Special Education Grants to States - CSPD	84.027	0924-83-000 Formula - 432	149,081
Special Education Grants to States - Centers of Excellence CSPD	84.173	0924-83-000 Formula - 430	<u>95,492</u>
Total Special Education Cluster (IDEA)			\$ 836,928
<i>Passed through Minnesota Department of Education:</i>			
Special Education Grants to States - Centers of Excellence CSPD	84.181	0924-83-000 Formula - 446	104,536
<i>Passed through SouthWest/West Central Service Cooperative:</i>			
Education Stabilization Fund COVID-19 GEER II	84.425C	0924-83-000 Formula - 400	<u>80,960</u>
Total Federal Financial Assistance			<u>\$ 1,022,424</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, 2021 and is presented on the full 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, and 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

Expenditures in the schedule of expenditures of federal awards are reported on the full accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

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

Sourcewell
Staples, Minnesota
Uniform Financial Accounting and Reporting Standards Compliance Table
Sourcewell
Year Ended June 30, 2021

Fiscal Compliance Report - 6/30/2021

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

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	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$50,907,414	<u>\$50,907,414</u>	\$0	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$45,710,185	<u>\$53,440,073</u>	(\$7,729,888)	Total Expenditures	\$0	\$0	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$11,741,649	<u>\$12,659,416</u>	(\$917,767)	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 Committed:				Total Revenue	\$0	\$0	\$0
4.18 Committed for Separation	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.61 Committed Fund Balance Assigned:				Restricted / Reserved:			
4.62 Assigned Fund Balance Unassigned:				4.01 Student Activities	\$0	\$0	\$0
4.22 Unassigned Fund Balance	\$48,385,030	<u>\$59,003,431</u>	(\$10,618,401)	4.02 Scholarships	\$0	\$0	\$0
				4.48 Achievement and Integration	\$0	\$0	\$0
02 FOOD SERVICES				4.64 Restricted Fund Balance	\$0	\$0	\$0
Total Revenue	\$0	\$0	\$0				
Total Expenditures	\$0	\$0	\$0	20 INTERNAL SERVICE			
Non Spendable:				Total Revenue	\$32,458,929	<u>\$32,458,929</u>	\$0
4.60 Non Spendable Fund Balance	\$0	\$0	\$0	Total Expenditures	\$32,513,422	<u>\$32,426,408</u>	\$87,014
Restricted / Reserved:				4.22 Unassigned Fund Balance (Net Assets)	\$6,437,442	<u>\$6,629,476</u>	(\$192,034)
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0				
4.74 EIDL Loan	\$0	\$0	\$0	25 OPEB REVOCABLE TRUST			
Restricted:				Total Revenue	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
Unassigned:				4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
4.63 Unassigned Fund Balance	\$0	\$0	\$0				
04 COMMUNITY SERVICE				45 OPEB IRREVOCABLE TRUST			
Total Revenue	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
Non Spendable:				4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
4.60 Non Spendable Fund Balance	\$0	\$0	\$0				
Restricted / Reserved:				47 OPEB DEBT SERVICE			
4.26 \$25 Taconite	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.31 Community Education	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.32 E.C.F.E.	\$0	\$0	\$0	Non Spendable:			
4.40 Teacher Development and Evaluation	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.44 School Readiness	\$0	\$0	\$0	Restricted:			
4.47 Adult Basic Education	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.73 PPP Loan	\$0	\$0	\$0	Unassigned:			
4.74 EIDL Loan	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
Restricted:							
4.64 Restricted Fund Balance	\$0	\$0	\$0				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	\$0	\$0				

Sourcewell
Staples, Minnesota
Uniform Financial Accounting and Reporting Standards Compliance Table
Sourcewell Technology
Year Ended June 30, 2021

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

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$5,299,495	\$14,204,086	(\$8,904,591)	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$13,347,890	\$14,581,132	(\$1,233,442)	Total Expenditures	\$0	\$0	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$0	\$0	\$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	(\$2,354,108)	\$3,887,257	(\$6,241,365)				
02 FOOD SERVICES				20 INTERNAL SERVICE			
Total Revenue	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
Non Spendable:				4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
4.60 Non Spendable Fund Balance	\$0	\$0	\$0				
Restricted / Reserved:				25 OPEB REVOCABLE TRUST			
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0	Total Revenue	\$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				

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 Enterprise Solutions Fund is required to be reported as the General Fund of the UFARS Fiscal Compliance Report, while the Risk Management Fund is required to be reported as 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 66.

Enterprise Solutions Fund

The following tables illustrate the difference between the audited financial statements (GAAP) and UFARS.

Audit (GAAP) Revenue		\$ 50,907,414
Reconciling Items		
None		-
UFARS Revenue		<u>\$ 50,907,414</u>
Audit (GAAP) Expenses		\$ 45,710,185
Reconciling Items		
Pension adjustment	\$ (1,095,238)	
OPEB adjustment	(79,467)	
Reclassification of transfer in	(45,308)	
Reclassification of transfer out	8,949,901	
Total reconciling items	<u>8,949,901</u>	<u>7,729,888</u>
UFARS Expenditures		<u>\$ 53,440,073</u>

The fund balance / net position differences as noted on the UFARS Compliance Table are an accumulation of the current year and historical years differences related to GASB Statements No. 68 and 75.

Risk Management Fund

The following tables illustrate the difference between the audited financial statements (GAAP) and UFARS.

Audit (GAAP) Revenue		\$ 32,458,929
Reconciling Items		
None		-
UFARS Revenue		<u>\$ 32,458,929</u>
Audit (GAAP) Expenses		\$ 32,513,422
Reconciling Items		
Pension adjustment	\$ (84,053)	
OPEB adjustment	(2,962)	
Rounding difference	1	
Total reconciling items		<u>(87,014)</u>
UFARS Expenditures		<u>\$ 32,426,408</u>

The fund balance / net position differences as noted on the UFARS Compliance Table are an accumulation of the current year and historical years differences related to GASB Statements No. 68 and 75.

Sourcewell
Staples, Minnesota
Schedules of Differences between UFARS and GAAP
Year Ended June 30, 2021

Sourcewell Technology

The following tables illustrate the difference between the audited financial statements (GAAP) and UFARS.

Audit (GAAP) Revenue		\$ 5,299,495
Reconciling Items		
Reclassification of transfer in	\$ 8,904,593	
Rounding difference	(2)	
Total reconciling items		<u>8,904,591</u>
UFARS Revenue		<u>\$ 14,204,086</u>
Audit (GAAP) Expenses		\$ 13,347,690
Reconciling Items		
Pension adjustment	\$ 1,225,501	
OPEB adjustment	7,943	
Rounding difference	(2)	
Total reconciling items		<u>1,233,442</u>
UFARS Expenditures		<u>\$ 14,581,132</u>

The fund balance / net position differences as noted on the UFARS Compliance Table are an accumulation of the current year and historical years differences related to GASB Statements No. 68 and 75.

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, 2021

Assets	
Cash and investments	\$ 4,124,352
Receivables	
Accounts	52,624
Due from other governmental units, net of allowance	96,829
Prepaid items	380,851
Capital Assets, net of accumulated depreciation where applicable	
Building and building improvements	514,725
Equipment	<u>513,708</u>
Total assets	<u>5,683,089</u>
Deferred Outflows of Resources	
Other post-employment benefits	3,351
Pension plans	<u>970,262</u>
Total deferred outflows of resources	<u>973,613</u>
Liabilities	
Accounts payable	424,719
Deferred rent payable	155,730
Accrued payroll	171,703
Due to other governmental units	520,228
Unearned revenue	192,294
Compensated absences	266,960
Long-term liabilities	
Other post-employment benefits	64,198
Net pension liability	<u>4,870,108</u>
Total liabilities	<u>6,665,940</u>
Deferred Inflows of Resources	
Other post-employment benefits	17,868
Pension plans	<u>2,327,002</u>
Total deferred inflows of resources	<u>2,344,870</u>
Net Position (Deficit)	
Investment in capital assets	1,028,433
Unrestricted	<u>(3,382,541)</u>
Total net deficit	<u><u>\$ (2,354,108)</u></u>

Sourcewell
Staples, Minnesota
Sourcewell Technology Fund
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021

Operating Revenues	
Sales	\$ 642,795
Cost of sales	<u>615,991</u>
Gross profit	<u>26,804</u>
Professional services and intergovernmental revenue	
Software, license, and support fees	4,665,733
Intergovernmental revenue	539,192
Other operating revenues	<u>62,654</u>
Total professional services and intergovernmental revenue	<u>5,267,579</u>
Total operating revenues	<u>5,294,383</u>
Operating Expenses	
Salaries and wages	5,442,346
Employee benefits	2,048,647
Actuarial pension adjustment	(1,225,501)
Purchased services	3,906,291
Supplies and materials	42,413
Travel	16,066
Indirect costs	1,104,593
Insurance expenses	89,256
Intergovernmental revenue passed to members	505,689
Depreciation	334,062
Impairment of capital assets	406,112
Other expenses	<u>677,716</u>
Total operating expenses	<u>13,347,690</u>
Operating Loss	(8,053,307)
Nonoperating Revenues (Expenses)	
Interest income	5,112
Loss on disposal of capital assets	<u>(123,970)</u>
Total nonoperating revenues	<u>(118,858)</u>
Loss Before Transfers	(8,172,165)
Transfers In	<u>8,904,593</u>
Change in net deficit	732,428
Net Deficit, Beginning of Year	<u>(3,086,536)</u>
Net Deficit, End of Year	<u><u>\$ (2,354,108)</u></u>

Sourcewell
Staples, Minnesota
Sourcewell Technology Fund
Statement of Cash Flows
Year Ended June 30, 2021

Operating Activities	
Receipts from sales to customers	\$ 5,494,308
Receipts from intergovernmental revenue	539,192
Payments to suppliers for goods and services	(5,805,268)
Payments made to employees	(7,472,862)
Intergovernmental revenue payments to members	(505,689)
Payments for other operating expenses	(672,727)
Net cash used for operating activities	<u>(8,423,046)</u>
Investing Activities	
Proceeds from sale of capital assets	7,941
Purchase of capital assets	(410,502)
Investment income	5,112
Net cash used for investment activities	<u>(397,449)</u>
Noncapital financing activities	
Sourcewell support and transfer from other funds	<u>8,904,593</u>
Net Change in Cash and Investments	84,098
Cash and Investments, July 1	<u>4,040,254</u>
Cash and Investments, June 30	<u><u>\$ 4,124,352</u></u>
Reconciliation of Operating Loss to	
Net Cash used for Operating Activities	
Operating loss	\$ (8,053,307)
Adjustments to reconcile operating loss	
to net cash used for operating activities	
Depreciation	334,062
Asset impairment	406,112
Changes in assets and liabilities	
Accounts receivable	(42,980)
Due from other governmental units	65,044
Prepaid items	58,371
Deferred outflows of resources	501,584
Accounts payable	172,271
Deferred rent payable	4,989
Accrued payroll	38,144
Due to other governmental units	(261,300)
Unearned revenue	101,062
Compensated absences	(22,738)
Other post-employment benefits	10,668
Net pension liability	249,839
Deferred inflows of resources	(1,984,867)
Net cash used for operating activities	<u><u>\$ (8,423,046)</u></u>



Additional Reports
June 30, 2021

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 Sourcewell, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Sourcewell's basic financial statements and have issued our report thereon dated November 29, 2021.

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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
November 29, 2021



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, 2021. 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, 2021.

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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
November 29, 2021



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 Sourcewell as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2021.

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 29, 2021

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None Reported

Section III –Federal Award Findings and Questioned Costs

None Reported

Section IV –Minnesota Legal Compliance Findings

None Reported