



Financial Statements
June 30, 2024

Sourcewell

Staples, Minnesota

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Name	Position	Term Expires
Elected		
Greg Zylka - Sub-Region IV	Chairperson	12/31/2024
Sharon Thiel - Sub-Region I	Vice-Chairperson	12/31/2025
Sara Nagel - Sub-Region II	Treasurer	12/31/2026
Linda Arts - Sub-Region II	Clerk	12/31/2027
Julia Kicker - Sub-Region I	Director	12/31/2026
Steven Barrows - Sub-Region IV	Director	12/31/2025
Chris Kircher - Sub-Region III	Director	12/31/2027
Douglas Dahlberg - Sub-Region III	Director	12/31/2024

Management

Dr. Chad Coauette	Chief Executive Officer (CEO)
Mike Carlson	Chief Financial Officer (CFO)
Alaina Bundy	Director of Accounting & Finance



Independent Auditor's Report

To the Board of Directors of
Sourcewell
Staples, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the major fund and the aggregate remaining fund information of Sourcewell, Staples, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Sourcewell's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of Sourcewell, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sourcewell, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sourcewell's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sourcewell's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sourcewell's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sourcewell's basic financial statements. The uniform financial accounting and reporting standards (UFARS) compliance tables, schedules of differences between UFARS and GAAP, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the uniform financial accounting and reporting standards (UFARS) compliance tables, schedules of differences between UFARS and GAAP, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the official directory but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, 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 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 December 2, 2024, on our consideration of Sourcewell's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. 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 Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering Sourcewell's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

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

Fargo, North Dakota
December 2, 2024

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, 2024.

Financial Highlights

Key financial highlights for the 2023-2024 fiscal year:

- Net position increased by \$37,914,770.
- The total proprietary fund net position as of June 30, 2024 is \$115,335,865.

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 fund, providing both short-term and long-term information about Sourcewell's overall financial status, and the fiduciary fund. The proprietary fund statements tell how business-like services were financed in the short-term as well as what remains for future spending. The fiduciary fund statements account for resources held for the benefit of parties outside of Sourcewell.

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.

Fund Financial Statements

The fund financial statements provide more detailed information about Sourcewell's funds – focusing on its most significant or “major” fund – 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 or to show that it is properly using certain revenues (e.g., federal and state grants).

Sourcewell has two kinds of funds:

Business-Type Funds – Sourcewell's business-like activities include cooperative purchasing and regional services and are accounted for in the Sourcewell fund. Sourcewell provides services on a fee for service basis. The business-type fund 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.

Fiduciary Fund – Fiduciary funds are used to account for resources held for the benefit of parties outside of Sourcewell. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Sourcewell's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Sourcewell's fiduciary fund is a custodial fund, Better Health Collective.

Financial Analysis of Sourcewell as a Whole

Net Position

Sourcewell's net position was \$115,335,865 on June 30, 2024.

Statement of Net Position June 30, 2024 and 2023

	2024	2023
Assets		
Current assets	\$ 130,618,415	\$ 87,709,055
Capital assets	14,481,066	16,282,480
Total assets	145,099,481	103,991,535
Deferred Outflows of Resources	10,889,089	10,837,633
Liabilities		
Current liabilities	7,727,651	5,736,477
Long-term liabilities	24,998,424	29,462,262
Total liabilities	32,726,075	35,198,739
Deferred Inflows of Resources	7,926,630	2,209,334
Net Position		
Net investment in capital assets	12,469,037	12,968,609
Unrestricted	102,866,828	64,452,486
Total net position	\$ 115,335,865	\$ 77,421,095

Statement of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
Revenues		
Program revenues		
Charges for services	\$ 114,297,970	\$ 83,502,936
General revenues		
Intergovernmental revenue	1,414,766	1,785,510
Total revenues	115,712,736	85,288,446
Expenses		
Salaries, wages, and employee benefits	46,756,231	36,313,730
Professional services	28,229,610	17,752,542
Supplies and materials	3,676,930	2,244,409
Travel	2,765,894	1,881,659
Depreciation and amortization	3,702,370	3,302,798
Other	1,419,374	3,756,668
Total expenses	86,550,409	65,251,806
Nonoperating items		
Investment gain	3,305,635	10,278
Interest expense	(34,422)	(52,719)
Gain (loss) on disposal of capital assets	5,481,230	(43,261)
Nonoperating items	8,752,443	(85,702)
Change in Net Position	37,914,770	19,950,938
Net Position - Beginning	77,421,095	57,470,157
Net Position - Ending	\$ 115,335,865	\$ 77,421,095

Changes in Net Position. Sourcewell's total revenues were \$115,712,736 for the year ended June 30, 2024.

The total cost of all programs and services was \$86,550,409. Sourcewell's expenses are predominantly related to providing necessary services to members.

The increase in net position of \$37,914,770 is largely attributed to the growth of Cooperative Purchasing with administrative revenue increasing by approximately \$31 million from the prior year. Additionally, Sourcewell recognized a \$5,503,181 gain on sale of capital assets related to a disposition of IPv4 addresses.

Financial Analysis of Sourcewell's Funds

Revenues exceeded expenses in the Sourcewell fund by \$37,914,770. The positive net position change in the Sourcewell fund is attributed to continued growth in utilization of Cooperative Purchasing contracts as well as a \$5,503,181 gain related to the sale of IPv4 addresses.

Capital Assets

By the end of fiscal year 2024, Sourcewell's capital assets net of accumulated depreciation/amortization totaled \$14,481,066, including land, buildings, land improvements, equipment, right-of-use leased assets, and right-of-use subscription-based IT assets. Total depreciation/amortization expense for the year was \$3,702,370. More detailed information about Sourcewell's capital assets is presented in Note 4 in the financial statements.

Compensated Absences

On June 30, 2024, Sourcewell had \$2,374,475 in compensated absences. More detailed information is presented in Note 7.

Long-Term Liabilities

At year end, Sourcewell has \$773,336 in direct borrowing liabilities, \$82,727 in lease liabilities, \$1,155,966 in subscription-based IT liabilities, \$20,041,604 in net pension liability, and \$570,316 in OPEB liability. More detailed information about Sourcewell's long-term liabilities is presented in Notes 5 through 9 in the financial statements.

Factors Bearing on Sourcewell's Future

Sourcewell is a self-sustaining government organization with over 45 years of dedicated service helping government, education, and nonprofit agencies operate more efficiently through a variety of solutions. Sourcewell's ongoing priorities are Cooperative Purchasing revenue growth, regional impact, and the success of technology solutions and professional services. Management has maintained strong financial reserves to help bridge unforeseen gaps in these types of activities.

Sourcewell's Cooperative Purchasing program is a very mature and fiscally sound solution. The program offers members over 750 competitively solicited cooperative contracts ready for government, education, and nonprofit use, saving time and money for those Sourcewell seeks to serve. Management is committed to continually growing the size, scale, and value of this best-in-class solution.

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, Chief Financial Officer (CFO), at Sourcewell, 202 12th Street NE, PO Box 219, Staples, MN 56479.

Sourcewell
Staples, Minnesota
Statement of Net Position
June 30, 2024

Assets	
Cash and investments	\$ 90,901,093
Receivables	
Accounts	37,473,127
Due from other governmental units	551,218
Prepaid items	1,692,977
Capital assets, net of accumulated depreciation/amortization where applicable	
Land	313,293
Work in progress	787,245
Building and building improvements	8,597,265
Land improvements	159,246
Equipment and software	2,707,689
Right-of-use assets	119,836
Right-of-use subscription-based IT assets	1,796,492
Total assets	<u>145,099,481</u>
Deferred Outflows of Resources	
Other post-employment benefits	78,140
Pension plans	10,810,949
Total deferred outflows of resources	<u>10,889,089</u>
Liabilities	
Accounts payable	3,793,234
Accrued payroll	3,079,735
Unearned revenue	854,682
Long-term liabilities - due in less than one year	
Compensated absences	2,374,475
Direct borrowing	382,291
Lease liabilities	78,782
Subscription-based IT liabilities	633,243
Long-term liabilities - due in more than one year	
Direct borrowing	391,045
Lease liabilities	3,945
Subscription-based IT liabilities	522,723
Other post-employment benefits	570,316
Net pension liability	20,041,604
Total liabilities	<u>32,726,075</u>
Deferred Inflows of Resources	
Other post-employment benefits	87,541
Pension plans	7,839,089
Total deferred inflows of resources	<u>7,926,630</u>
Net Position	
Net investment in capital assets	12,469,037
Unrestricted	102,866,828
Total net position	<u><u>\$ 115,335,865</u></u>

Sourcewell
Staples, Minnesota
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2024

Operating Revenues	
Software, license, and service fees	\$ 6,214,701
Intergovernmental revenue	1,414,766
Administrative fees	107,705,928
Other operating revenues	<u>377,341</u>
Total operating revenues	<u>115,712,736</u>
Operating Expenses	
Salaries and wages	33,208,772
Employee benefits	11,600,493
Actuarial pension adjustment	1,946,966
Professional services	28,229,610
Supplies and materials	3,676,930
Travel	2,765,894
Depreciation and amortization	3,702,370
Other expenses	<u>1,419,374</u>
Total operating expenses	<u>86,550,409</u>
Operating Income	29,162,327
Nonoperating Revenues (Expenses)	
Investment gain	3,305,635
Interest expense	(34,422)
Net gain on disposal of capital assets	<u>5,481,230</u>
Total nonoperating revenues (expenses)	<u>8,752,443</u>
Change in Net Position	37,914,770
Net Position, Beginning of Year	<u>77,421,095</u>
Net Position, End of Year	<u><u>\$ 115,335,865</u></u>

Sourcewell
Staples, Minnesota
Statement of Cash Flows
Year Ended June 30, 2024

Operating Activities	
Receipts from sales to customers	\$ 101,964,369
Receipts from state and federal aid	1,414,766
Payments to suppliers for goods and services	(32,519,348)
Payments made to employees	(43,318,113)
Payments for other operating expenses	(2,765,894)
	<u>24,775,780</u>
Investing Activity	
Investment income	<u>3,305,635</u>
Capital and Related Financing Activities	
Purchase of capital assets	(1,087,742)
Sale of capital assets	5,503,181
Interest payments	(34,422)
Principal payments on leases, direct borrowings, and subscription-based IT liabilities	(2,137,007)
	<u>2,244,010</u>
Net Change in Cash and Investments	30,325,425
Cash and Investments, July 1	<u>60,575,668</u>
Cash and Investments, June 30	<u>\$ 90,901,093</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 29,162,327
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization	3,702,370
Changes in assets and liabilities	
Accounts receivable	(12,204,580)
Due from other governmental units	(65,698)
Prepaid items	(313,657)
Deferred outflows of resources	(51,456)
Accounts payable	1,120,636
Accrued payroll	934,274
Due to other governmental units	(413)
Unearned revenue	(63,323)
Compensated absences	542,627
Other post-employment benefits	93,606
Net pension liability	(3,798,229)
Deferred inflows of resources	5,717,296
	<u>\$ 24,775,780</u>
Schedule of Non-Cash Noncapital Financing Activities	
Acquisition of capital assets through debt	<u>\$ 835,165</u>

Sourcewell
Staples, Minnesota
Statement of Fiduciary Net Position
Year Ended June 30, 2024

	Better Health Collective
Assets	
Current Assets	
Cash and cash equivalents	\$ 5,163,234
Short-term investments	
Debt securities at fair market value	50,046
Receivables (net of allowance for uncollectibles):	
Member contribution	154,071
Pharmacy rebates	1,371,005
Reinsurance recoverable	20,742
Other receivables	392,618
Total current assets	7,151,716
Long-Term Investments	
Debt securities at fair market value	5,186,371
Total assets	12,338,087
Liabilities	
Estimated liability for reported and unreported loss and loss adjustment expense	3,903,642
Accounts payable	39,819
Due to other governments	40,961
Payable to claims administrator	13,531
Total liabilities	3,997,953
Net Position	
Restricted for other organization	\$ 8,340,134

Sourcewell
Staples, Minnesota
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2024

	Better Health Collective
Additions	
Contributions	
Member contributions earned	\$ 48,577,852
Less: reinsurance premiums ceded	(3,515,228)
Net contributions	45,062,624
Net investment income	206,418
Miscellaneous income	310,571
Total additions	45,579,613
Deductions	
Net claims and claims adjustment expenses incurred	
Claims and claims adjustment expenses incurred	44,509,262
Reinsurance recoveries	(2,416,597)
Total claims and claims adjustment expenses incurred, net	42,092,665
Professional services	1,304,607
Affordable Care Act fees	20,961
Total deductions	43,418,233
Change in Net Position	2,161,380
Net Position, Beginning of Year	6,178,754
Net Position, End of Year	\$ 8,340,134

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 and licensing services, teaching and professional development, services for students with special talents and special needs, software and networking services, procurement-as-a-service for branches of the U.S. Military, 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. Based on these criteria, there are no component units.

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/amortization 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 fund:

Sourcewell – This fund is the operating fund of Sourcewell and is used to account for all operational activities of Sourcewell except those accounted for in other funds. Activities include revenues and expenses generated by the procurement and offering of cooperatively sourced contracts, services provided to Region 5, acquisition and/or development of technology solutions, and centralized support costs.

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 fund are charges to customers for sales and services. Operating expenses for the enterprise fund 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.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Sourcewell's own programs. The accounting for fiduciary funds is much like that used for proprietary funds. Sourcewell reports one fiduciary fund, a custodial fund. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Following is a description of Sourcewell's custodial fund:

Better Health Collective – This fund is used to account for the operation of a health insurance pool. All premiums collected from the participating agencies and all claims and administration charges paid for health insurance are accounted for in this fund. Better Health Collective and Sourcewell have entered into a management agreement whereby Sourcewell provides operational support in return for fees to perform accounting, marketing, administrative and other similar services for Better Health Collective. These fees are reported as revenues of Sourcewell on the Statement of Revenues, Expenses, and Changes in Net Position, and deductions of Better Health Collective on the Statement of Changes in Fiduciary Net Position.

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. Management determined that no allowance was necessary at June 30, 2024.

Receivables 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 to 5 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. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. Sourcewell maintains a threshold level of \$15,000 or more for capitalizing 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. Since surplus assets are sold for an immaterial amount when declared as no longer needed by Sourcewell, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 50 years. Land is not depreciated.

Right of use leased assets are recognized at the lease commencement date and represent Sourcewell's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Right of use subscription IT assets are recognized at the subscription commencement date and represent Sourcewell's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 5 years.

Compensated Absences Payable

Vacation – Sourcewell compensates substantially all full-time employees for unused vacation upon termination. As of June 30, 2024, 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 employee compensation for future absences caused by future illness cannot be reasonably estimated, a liability for unused unable to work 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.

Lease liabilities represent Sourcewell's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present values of lease payments are discounted based on a borrowing rate determined by Sourcewell.

Subscription-based IT liabilities represent Sourcewell's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present values of subscription payments are discounted based on a borrowing rate determined by Sourcewell.

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 9.

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) 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 post-employment 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 other post-employment benefits 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/amortization, 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.

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 2024.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

As of June 30, 2024, the carrying amount of Sourcewell’s deposits was \$3,465,797 and the bank balance was \$3,844,597. Sourcewell’s deposits were secured by FDIC coverage of \$353,077 and pledged collateral of \$7,467,226.

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, 2024, 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	\$ 3,465,797	\$ 3,465,797	\$ -	\$ -	\$ -
Investments					
Money Market	15,238,488	15,238,488	-	-	-
U.S. Government Securities	52,373,652	-	8,281,317	19,872,956	24,219,379
Municipal Bonds	30,222,807	-	4,860,862	15,249,656	10,112,289
	<u>\$ 101,300,744</u>	<u>\$ 18,704,285</u>	<u>\$ 13,142,179</u>	<u>\$ 35,122,612</u>	<u>\$ 34,331,668</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, 2024:

- U.S. government securities of \$52,373,652 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$30,222,807 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, 2024, 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.

Cash and investments are included within the financial statements as follows:

Cash and Cash Equivalents	
Statement of net position	\$ 90,901,093
Statement of fiduciary net position	5,163,234
Short-Term Investments	
Statement of fiduciary net position	50,046
Long-Term Investments	
Statement of fiduciary net position	<u>5,186,371</u>
	<u><u>\$ 101,300,744</u></u>

Note 3 - Due from other Governmental Units

Amounts receivable from other governments as of June 30, 2024, include:

Fund	Federal	Other	Total
Sourcewell	<u>\$ 245,188</u>	<u>306,030</u>	<u>\$ 551,218</u>

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2024, is as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Business-Type Activities				
Capital assets, not being depreciated/amortized				
Land	\$ 313,293	\$ -	\$ -	\$ 313,293
Work in progress	132,591	1,263,016	608,362	787,245
Total capital assets, not being depreciated	<u>445,884</u>	<u>1,263,016</u>	<u>608,362</u>	<u>1,100,538</u>
Capital assets being depreciated/amortized				
Buildings and improvements	11,873,477	11,450	-	11,884,927
Land improvements	348,967	-	5,437	343,530
Equipment and software	13,018,059	421,638	1,846,582	11,593,115
Right-to-use assets	1,342,229	-	-	1,342,229
Right-to-use subscription-based IT assets	3,538,173	835,165	296,248	4,077,090
Total capital assets being depreciated/amortized	<u>30,120,905</u>	<u>1,268,253</u>	<u>2,148,267</u>	<u>29,240,891</u>
Less accumulated depreciation/amortization for				
Buildings and improvements	2,876,255	411,407	-	3,287,662
Land improvements	165,369	22,993	4,078	184,284
Equipment and software	9,232,863	1,478,553	1,825,990	8,885,426
Right-to-use assets	817,502	404,891	-	1,222,393
Right-to-use subscription-based IT assets	1,192,320	1,384,526	296,248	2,280,598
Total accumulated depreciation/amortization	<u>14,284,309</u>	<u>3,702,370</u>	<u>2,126,316</u>	<u>15,860,363</u>
Capital assets being depreciated, net	<u>15,836,596</u>	<u>(2,434,117)</u>	<u>21,951</u>	<u>13,380,528</u>
Business-Type Activities Capital Assets, Net	<u>\$ 16,282,480</u>	<u>\$ (1,171,101)</u>	<u>\$ 630,313</u>	<u>\$ 14,481,066</u>

Depreciation/amortization expense of \$3,702,370 was recognized for the year ending June 30, 2024.

Note 5 - Leases Payable

Sourcewell has entered into lease agreements for a building, postage machine, and printers. Sourcewell is required to make principal and interest payments through September 2026. The lease liabilities were valued using discount rates of 2.29%, Sourcewell's historical five-year average investment rate of return at the inception of the leases. Sourcewell recognized interest expense of \$6,773 related to leases.

The future principal and interest lease payments as of June 30, 2024, were as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 78,782	\$ 545
2026	3,153	21
2027	792	1
	<u>\$ 82,727</u>	<u>\$ 567</u>

Note 6 - Subscription-Based Information Technology Arrangements (SBITAs)

Sourcewell has entered into various SBITA contracts for various software. Sourcewell is required to make principal and interest payments through March 2026. The subscription liabilities were valued using discount rates of 0.65%-0.94%, Sourcewell's historical five-year average investment rate of return at the inceptions of the subscription. Sourcewell recognized interest expense of \$1,382 related to SBITAs.

Remaining principal and interest payments on subscriptions are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 633,243	\$ 1,545
2026	522,723	438
	<u>\$ 1,155,966</u>	<u>\$ 1,983</u>

Note 7 - Long Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2024, are as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Business-Type Activities					
Direct borrowing payable	\$ 1,147,068	\$ -	\$ 373,732	\$ 773,336	\$ 382,291
Leases payable	414,591	-	331,864	82,727	78,782
Subscription-based IT agreements payable	1,752,212	835,165	1,431,411	1,155,966	633,243
Compensated absences	1,831,848	3,663,696	3,121,069	2,374,475	2,374,475
Total business-type activities long term liabilities	<u>\$ 5,145,719</u>	<u>\$ 4,498,861</u>	<u>\$ 5,258,076</u>	<u>\$ 4,386,504</u>	<u>\$ 3,468,791</u>

Direct Borrowing

A direct borrowing agreement has been entered into to finance a software purchase. The present value of the software capital assets as of June 30, 2024, was \$1,912,433 and total accumulated amortization on this asset as of June 30, 2024, was \$892,469.

The direct borrowing payable has a final maturity in 2026 and a discount rate of 2.29%. Principal and interest payments are made from the Sourcewell fund. Remaining principal and interest payments on the direct borrowing payable are as follows:

Years ending June 30,	Principal	Interest
2025	\$ 382,291	\$ 17,709
2026	391,045	8,955
	<u>\$ 773,336</u>	<u>\$ 26,664</u>

Leases Payable

Leases payable consists of long-term leases as described in Note 5. Payments are made from the Sourcewell fund.

Subscription-Based IT Agreements Payable

Subscription-based IT agreements payable consists of long-term subscriptions for IT software as described in Note 6. Payments are made from the Sourcewell fund.

Compensated Absences

Compensated absences consists of vested vacation as discussed in Note 1. These amounts are paid out of the Sourcewell fund.

Note 8 - Other Post-Employment Benefits

Sourcewell previously offered two post-employment benefit plans, one for employees of Sourcewell and one for employees of Sourcewell Technology, a blended component unit dissolved as of January 1, 2023. All employees covered by the Sourcewell Technology plan were migrated to the Sourcewell plan upon the dissolution of Sourcewell Technology. Due to differences in timing between the plan reporting period and Sourcewell's fiscal year, the June 30, 2024, financial statements include OPEB activity relating to the dissolution of the Sourcewell Technology plan.

A. Plan Descriptions

The Sourcewell Group Insurance Plan is a single-employer defined benefit OPEB plan. 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 TRA-eligible employees and 5 years of service for PERA-eligible employees, senior leadership team, and Chief Executive Officer (CEO). Benefit provisions are established through negotiations by Sourcewell and are renegotiated at the end of each contract period. Medical coverage is administered by Health Partners. The plan does not issue a publicly available financial report. No assets are accumulated in a trust.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of \$944 for single and \$2,124 for family coverage. The implicit rate subsidy is only until Medicare eligibility. The Sourcewell senior leadership team and Chief Executive Officer (CEO) reaching age 55 with at least 5 years of service will receive a subsidized 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.

C. Employees Covered by Benefit Terms

Sourcewell

At the valuation date of July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments		1
Inactive employees entitled to but not yet receiving benefit payments		-
Active employees		220
		221
		221

Sourcewell Technology

There are no employees, retirees, or beneficiaries covered under the Sourcewell Technology plan.

D. Total OPEB Liability

Sourcewell's total OPEB liability of \$570,316 was measured as of July 1, 2023, and was determined by actuarial valuations as of July 1, 2022.

E. Actuarial Assumptions

The total OPEB liability in the July 1, 2022, 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	3.90 percent	
Healthcare Cost Trend Rates	6.25 percent in 2023, grading to 5.00 percent over the next 5 years and then to 4.00 percent 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 spouse 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-2021 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2022, valuation were based on inputs from a variety of published sources of historical and projected future financial data. The rates for TRA eligible employees are based on the Teachers Retirement Association of Minnesota actuarial experience study for the period July 1, 2014, through June 30, 2018, and a study of economic assumptions dated November 2017. The rates for other employees are based on the Public Employees Retirement Association of Minnesota most recent four-year experience study for the General Employees Plan completed in 2019 and a review of the inflation assumption.

There were no changes in plan provisions made for the year ending June 30, 2024.

The following changes in assumptions were made for the year ending June 30, 2024:

- The discount rate was changed from 3.80% to 3.90%.

F. Changes in the Total OPEB Liability

Sourcewell

Balance at July 1, 2023	\$	447,178
Changes from the Prior Year:		
Service cost		82,485
Interest cost		19,884
Assumption changes		(3,403)
Differences between expected and actual experience		37,117
Benefit payments		<u>(12,945)</u>
Net Change		<u>123,138</u>
Balance at June 30, 2024	\$	<u><u>570,316</u></u>

Sourcewell's total OPEB liability was measured as of July 1, 2023, and was determined by actuarial valuations as of July 1, 2022.

Sourcewell Technology

Balance at July 1, 2023	\$	29,532
Changes from the Prior Year:		
Plan changes		<u>(29,532)</u>
Balance at June 30, 2024	\$	<u><u>-</u></u>

The Sourcewell Technology was dissolved as of January 1, 2023, and employees covered under the Sourcewell Technology plan were migrated to the Sourcewell plan as of that date. The remaining liability for the plan as of the June 30, 2023, reporting date was eliminated as a change in plan provisions during the current fiscal year.

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	2.90%	3.90%	4.90%
Total OPEB Liability	\$ 605,015	\$ 570,316	\$ 537,152

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

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Medical Trend Rate	5.25%, grading to 4.00% over 5 years and then to 3.00% over the next 48 years	6.25%, grading to 5.00% over 5 years and then to 4.00% over the next 48 years	7.25%, grading to 6.00% over 5 years and then to 5.00% over the next 48 years
Total OPEB Liability	\$ 507,790	\$ 570,316	\$ 643,123

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

Sourcewell

For the year ended June 30, 2024, Sourcewell recognized OPEB expense of \$93,985. At June 30, 2024, Sourcewell reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability losses/gains	\$ 47,144	\$ 54,292
Assumption changes	4,299	33,249
Employer contributions made after the measurement date	<u>26,697</u>	<u>-</u>
	<u>\$ 78,140</u>	<u>\$ 87,541</u>

The \$26,697 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Years Ended June 30,</u>	<u>OPEB Expense Amount</u>
2025	\$ (6,639)
2026	(7,632)
2027	(13,175)
2028	(14,271)
2029	5,619

Sourcewell Technology

For the year ended June 30, 2024, Sourcewell recognized a reduction of OPEB expense of \$54,167 due to the dissolution of the Sourcewell Technology plan.

Note 9 - Defined Benefit Pension Plans

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

Sourcewell previously reported a blended component unit, Sourcewell Technology, which was dissolved as of January 1, 2023. At that time, all employees of Sourcewell Technology were migrated to Sourcewell. Sourcewell and Sourcewell Technology had unique employer unit numbers for the PERA and TRA pension plans, thereby requiring note disclosures by entity. Due to differences in timing between the pension plan reporting period and Sourcewell’s fiscal year, Sourcewell’s June 30, 2024, financial statements include activity related to the Sourcewell Technology proportional share of PERA and TRA’s net pension liability, deferred inflows of resources, and deferred outflows of resources. All amounts are presented within the Sourcewell fund. 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 entity:

	Sourcewell		Sourcewell Technology		Total
	PERA	TRA	PERA	TRA	
Net pension liability	\$ 14,857,646	\$ 3,996,012	\$ 816,416	\$ 371,530	\$ 20,041,604
Deferred outflows of resources	7,871,370	2,195,292	629,500	114,787	10,810,949
Deferred inflows of resources	4,553,929	99,927	2,831,080	354,153	7,839,089

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. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 6.50 percent of their annual covered salary in fiscal year 2023 and Sourcewell and Sourcewell Technology were required to 7.50 percent for Coordinated Plan members. Sourcewell and Sourcewell Technology's contributions to the General Employees Fund for the year ended June 30, 2024, were \$1,980,943 and \$0, respectively. Sourcewell and Sourcewell Technology's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At June 30, 2024, Sourcewell and Sourcewell Technology reported liabilities of \$14,857,646 and \$816,416, respectively, for their proportionate shares 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 shares of the net pension liability associated with Sourcewell and Sourcewell Technology totaled \$409,537 and \$22,502, respectively.

The net pension liabilities were measured as of June 30, 2023, 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 were based on their contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. Sourcewell's proportionate share was 0.2657 percent at the end of the measurement period and 0.2136 percent at the beginning of the period. Sourcewell Technology's proportionate share was 0.0146 percent at the end of the measurement period and 0.0410 percent at the beginning of the period.

Sourcewell's proportionate share of net pension liability	\$ 14,857,646
State of Minnesota's proportionate share of the net pension liability associated with Sourcewell	<u>409,537</u>
Total	<u><u>\$ 15,267,183</u></u>
Sourcewell Technology's proportionate share of net pension liability	\$ 816,416
State of Minnesota's proportionate share of the net pension liability associated with Sourcewell Technology	<u>22,502</u>
Total	<u><u>\$ 838,918</u></u>

For the year ended June 30, 2024, Sourcewell recognized pension expense of \$1,422,905 for its proportionate shares of General Employees Fund's pension expense. Sourcewell Technology recognized a reduction of pension expense of \$501,219 for its proportionate shares of General Employees Fund's pension expense. In addition, Sourcewell and Sourcewell Technology recognized \$409,537 and \$101, respectively, as pension expense (and grant revenue) for their proportionate shares of the State of Minnesota's contributions of \$16 million to the General Employees Fund.

Sourcewell

At June 30, 2024, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 464,954	\$ 75,849
Changes in Actuarial Assumptions	1,788,462	4,072,355
Net Collective Difference between Projected and Actual investment earnings	-	405,725
Changes in Proportion	3,637,011	-
Contributions Paid to PERA Subsequent to The Measurement Date	<u>1,980,943</u>	<u>-</u>
Total	<u>\$ 7,871,370</u>	<u>\$ 4,553,929</u>

The \$1,980,943 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, 2025. 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>
2025	\$ 1,375,798
2026	(722,298)
2027	1,005,311
2028	(322,313)

Sourcewell Technology

At June 30, 2024, 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	\$ 38,454	\$ 25,540
Changes in Actuarial Assumptions	591,046	223,773
Net Collective Difference between Projected and Actual investment earnings	-	426,924
Changes in Proportion	<u>-</u>	<u>2,154,843</u>
Total	<u>\$ 629,500</u>	<u>\$ 2,831,080</u>

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>
2025	\$ (632,265)
2026	(1,237,033)
2027	(314,571)
2028	(17,711)

E. Long-Term Expected Return on Investment

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	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
	100.0%	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. 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 Plan 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.

H. 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		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	6.00%	\$ 26,284,370
Current Discount Rate	7.00%	\$ 14,857,646
1% Higher	8.00%	\$ 5,458,732

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	6.00%	\$ 1,444,305
Current Discount Rate	7.00%	\$ 816,416
1% Higher	8.00%	\$ 299,953

I. Pension Plan Fiduciary Net Position

Detailed information about each 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 Descriptions

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 school, 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 Retirement 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

<u>Tier1</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
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% 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

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for coordinated members and 2.7% 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.

Tier II Benefits

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 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, 2022, June 30, 2023, and June 30, 2024, were:

	June 30, 2022		June 30, 2023		June 30, 2024	
	Employees	Employers	Employees	Employers	Employees	Employers
Basic	11.00%	12.34%	11.00%	12.55%	11.25%	12.75%
Coordinated	7.50%	8.34%	7.50%	8.55%	7.75%	8.75%

The following is a reconciliation of employer contributions in TRA's fiscal year 2023 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	\$ 508,764,000
Add employer contributions not related to future contribution efforts	(87,000)
Deduct TRA's contributions not included in allocation	<u>(643,000)</u>
Total employer contributions	508,034,000
Total non-employer contributions	<u>35,587,000</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 543,621,000</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, 2023, 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, 2023
Measurement date	June 30, 2023
Experience studies	June 28, 2019 (demographic and economic assumptions)*
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality assumptions	
Pre-retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven 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 assumptions prescribed are based on the experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.

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 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	33.5%	5.10%
International Equity	16.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	25.0%	0.75%
Total	100.0%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 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 2022 valuation

The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8% on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA's amortization date will remain the same at 2048.

E. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate 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 2023 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

On June 30, 2024, Sourcewell and Sourcewell Technology reported liabilities of \$3,996,012 and \$371,530, respectively, for their proportionate shares of the net pension liability. The net pension liability was measured as of June 30, 2023, 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 0.0484 percent at the end of the measurement period and 0.0364 percent for the beginning of the year. Sourcewell Technology's proportionate share was 0.0045 percent at the end of the measurement period and 0.0095 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>\$ 3,996,012</u>
State's Proportionate Share of The Net Pension Liability Associated with Sourcewell	<u>\$ 279,967</u>

For the year ended June 30, 2024, Sourcewell recognized pension expense of \$758,105. It also recognized \$39,422 as an increase to pension expense for the support provided by direct aid.

At June 30, 2024, Sourcewell had deferred resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 28,844	\$ 48,431
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	-	51,496
Changes of Assumptions	347,182	-
Changes in Proportion	1,509,310	-
Sourcewell's Contributions to TRA Subsequent to The Measurement Date	<u>309,956</u>	<u>-</u>
Total	<u>\$ 2,195,292</u>	<u>\$ 99,927</u>

The \$309,956 reported as deferred outflows of resources related to pensions resulting from Sourcewell contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2025	\$ 521,309
2026	470,047
2027	519,857
2028	118,534
2029	155,662

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:

Sourcewell Technology's Proportionate Share of Net Pension Liability	<u>\$ 371,530</u>
State's Proportionate Share of The Net Pension Liability Associated with Sourcewell Technology	<u>\$ 25,943</u>

For the year ended June 30, 2024, Sourcewell Technology recognized a reduction of pension expense of \$11,134. It also recognized \$3,653 as an increase to pension expense for the support provided by direct aid.

At June 30, 2024, Sourcewell Technology had deferred 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	\$ 7,835	\$ 7,655
Net Difference between Projected and Actual Investment earnings on pension plan investments	15,578	-
Changes of Assumptions	91,374	-
Changes in Proportion	<u>-</u>	<u>346,498</u>
Total	<u>\$ 114,787</u>	<u>\$ 354,153</u>

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

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2025	\$ (56,038)
2026	(67,474)
2027	24,908
2028	(72,176)
2029	(68,586)

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 7.00 percent as well what the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) 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	6.00%	7.00%	8.00%
Sourcewell's Proportionate Share of the TRA Net Pension Liability	\$ 6,373,346	\$ 3,996,012	\$ 2,049,876
	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
TRA Discount Rate	6.00%	7.00%	8.00%
Sourcewell Technology’s Proportionate Share of the TRA Net Pension Liability	\$ 592,563	\$ 371,530	\$ 190,588

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 the plan’s fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at <https://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 10 - 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 expects such amounts, if any, to be immaterial.

Work in Progress Commitments

Sourcewell has active capital asset projects as of June 30, 2024. These projects include various software and technology projects with costs of \$787,245 reported as work in progress with remaining commitments of \$260,442 as of June 30, 2024.

Litigation and Potential Exposure

In the ordinary course of its operations, Sourcewell is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at June 30, 2024, but, in the opinion of management and legal counsel, the ultimate disposition of any or all of these proceedings will not have a material effect on Sourcewell's financial position.



Required Supplementary Information
June 30, 2024

Sourcewell

Staples, Minnesota

Sourcewell
Staples, Minnesota

Schedule of Changes in Sourcewell's Total OPEB Liability and Related Ratios
June 30, 2024

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

	2024	2023	2022	2021	2020	2019	2018
Service Cost	\$ 82,485	\$ 73,780	\$ 78,619	\$ 73,971	\$ 57,654	\$ 53,450	\$ 37,868
Interest Cost	19,884	11,763	11,455	11,469	10,872	8,845	6,243
Assumption Changes	(3,403)	(37,925)	6,287	(15,403)	5,979	7,450	(5,424)
Plan Changes	-	-	-	-	-	16,963	-
Differences between Expected and Actual Experience	37,117	(81,440)	-	48,650	-	(13,309)	-
Benefit Payments	(12,945)	(10,374)	(7,282)	(24,615)	(38,200)	(16,197)	(2,765)
Net Change in Total OPEB Liability	123,138	(44,196)	89,079	94,072	36,305	57,202	35,922
Total OPEB Liability - Beginning	447,178	491,374	402,295	308,223	271,918	214,716	178,794
Net OPEB Liability, End of Year	<u>\$ 570,316</u>	<u>\$ 447,178</u>	<u>\$ 491,374</u>	<u>\$ 402,295</u>	<u>\$ 308,223</u>	<u>\$ 271,918</u>	<u>\$ 214,716</u>
Covered Payroll	\$ 23,741,523	\$ 20,070,375	\$ 15,935,560	\$ 15,471,417	\$ 11,699,462	\$ 11,358,701	\$ 6,879,565
Sourcewell's Total OPEB Liability as a Percentage of Covered Payroll	2.40%	2.23%	3.08%	2.60%	2.63%	2.39%	3.12%

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

Notes to the Schedule of 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.

2024 Changes

There were no changes in benefits.

Assumption Changes:

- The discount rate was changed from 3.80% to 3.90%.

2023 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 Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-TRA eligible employees were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.10% to 3.80%.

2022 Changes

There were no changes in benefits.

Assumption Changes:

- The discount rate was changed from 2.40% to 2.10%.

2021 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 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%.

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, Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
Service Cost	\$ -	\$ 5,190	\$ 5,039	\$ 10,081	\$ 9,787	\$ 8,812	\$ 8,555
Interest Cost	-	618	2,095	1,951	2,829	2,569	2,489
Assumption Changes	-	-	1,311	-	(14,205)	-	-
Plan Changes	(29,532)	-	-	-	-	-	-
Differences between Actual and Expected Experience	-	-	(44,497)	-	(15,575)	-	-
Benefit Payments	-	(1,071)	(3,351)	(1,364)	(5,413)	(4,004)	(13,821)
Net Change in Total OPEB Liability	(29,532)	4,737	(39,403)	10,668	(22,577)	7,377	(2,777)
Total OPEB Liability - Beginning	29,532	24,795	64,198	53,530	76,107	68,730	71,507
Net OPEB Liability, End of Year	<u>\$ -</u>	<u>\$ 29,532</u>	<u>\$ 24,795</u>	<u>\$ 64,198</u>	<u>\$ 53,530</u>	<u>\$ 76,107</u>	<u>\$ 68,730</u>
Covered Payroll	\$ -	\$ 3,226,198	\$ 3,132,231	\$ 6,185,259	\$ 6,005,106	\$ 6,249,847	\$ 6,067,813
Sourcewell Technology's Total OPEB Liability as a Percentage of Covered Payroll	N/A	0.92%	0.79%	1.04%	0.89%	1.22%	1.13%

Note: As of January 1, 2023, Sourcewell Technology was dissolved and employees covered under the Sourcewell Technology plan were migrated the Sourcewell plan as of that date, ending the Sourcewell Technology plan.

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

Notes to the Schedule of 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.

2024 Changes

Employees of Sourcewell Technology were migrated to the Sourcewell plan, ending the plan.

2023 Changes

There were no changes in benefits or actuarial assumptions.

2022 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 to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 3.10% to 2.10%.

2021 Changes

There were no changes in benefits or actuarial assumptions.

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 to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 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 3.40% to 3.10%.
- The retiree plan participation percentage was reduced from 30% to 25%.

2019 Changes

There were no changes in benefits or actuarial assumptions.

Sourcewell
Staples, Minnesota
Schedules of Employer's Share of Net Pension Liability
Sourcewell
June 30, 2024

**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 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	6/30/2023	0.2657%	\$ 14,857,646	\$ 409,537	\$ 15,267,183	\$ 19,911,436	74.6%	83.1%
PERA	6/30/2022	0.2136%	\$ 16,917,190	\$ 496,047	\$ 17,413,237	\$ 15,042,041	112.5%	76.7%
PERA	6/30/2021	0.1969%	\$ 8,408,512	\$ 256,762	\$ 8,665,274	\$ 13,313,106	63.2%	87.0%
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	6/30/2023	0.0484%	\$ 3,996,012	\$ 279,967	\$ 4,275,979	\$ 3,077,988	129.8%	76.4%
TRA	6/30/2022	0.0364%	\$ 2,914,719	\$ 216,156	\$ 3,130,875	\$ 2,251,607	129.5%	76.2%
TRA	6/30/2021	0.0361%	\$ 1,579,844	\$ 133,090	\$ 1,712,934	\$ 2,157,811	73.2%	86.6%
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%

Sourcewell
Staples, Minnesota
Schedules of Employer's Share of Net Pension Liability
Sourcewell Technology
June 30, 2024

**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) (Percentage)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share 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	6/30/2023	0.0146%	\$ 816,416	\$ 22,502	\$ 838,918	\$ 1,094,117	74.6%	83.1%
PERA	6/30/2022	0.0410%	\$ 3,247,214	\$ 95,194	\$ 3,342,408	\$ 2,887,283	112.5%	76.7%
PERA	6/30/2021	0.0663%	\$ 2,831,307	\$ 86,431	\$ 2,917,738	\$ 4,482,778	63.2%	87.0%
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	6/30/2023	0.0045%	\$ 371,530	\$ 25,943	\$ 397,473	\$ 285,263	130.2%	76.4%
TRA	6/30/2022	0.0095%	\$ 760,710	\$ 56,388	\$ 817,098	\$ 584,676	130.1%	76.2%
TRA	6/30/2021	0.0095%	\$ 415,748	\$ 35,060	\$ 450,808	\$ 568,549	73.1%	86.6%
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%

**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	6/30/2024	\$ 1,980,943	\$ 1,980,943	\$ -	\$ 26,412,573	7.5%
PERA	6/30/2023	\$ 1,493,358	\$ 1,493,358	\$ -	\$ 19,911,436	7.5%
PERA	6/30/2022	\$ 1,128,153	\$ 1,128,153	\$ -	\$ 15,042,041	7.5%
PERA	6/30/2021	\$ 998,483	\$ 998,483	\$ -	\$ 13,313,106	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	6/30/2024	\$ 309,956	\$ 309,956	\$ -	\$ 3,542,354	8.8%
TRA	6/30/2023	\$ 263,168	\$ 263,168	\$ -	\$ 3,077,988	8.6%
TRA	6/30/2022	\$ 187,784	\$ 187,784	\$ -	\$ 2,251,607	8.3%
TRA	6/30/2021	\$ 175,430	\$ 175,430	\$ -	\$ 2,157,811	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%

Sourcewell
Staples, Minnesota
Schedules of Employer's Contributions
Sourcewell Technology
June 30, 2024

**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	6/30/2024	\$ -	\$ -	\$ -	\$ -	N/A
PERA	6/30/2023	\$ 82,059	\$ 82,059	\$ -	\$ 1,094,117	7.5%
PERA	6/30/2022	\$ 216,546	\$ 216,546	\$ -	\$ 2,887,283	7.5%
PERA	6/30/2021	\$ 336,208	\$ 336,208	\$ -	\$ 4,482,778	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	6/30/2024	\$ -	\$ -	\$ -	\$ -	N/A
TRA	6/30/2023	\$ 24,390	\$ 24,390	\$ -	\$ 285,263	8.6%
TRA	6/30/2022	\$ 48,762	\$ 48,762	\$ -	\$ 584,676	8.3%
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%

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

PERA

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%. This does not affect the GASB valuation which was already using the 7.00% assumption.

Changes in Plan Provisions

- Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65.
- The employer contribution rate will increase from 8.75% to 9.50% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025.

2022 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50 percent to 7.00 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.
- 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.

PERA's Annual Comprehensive 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, 2024

Sourcewell

Staples, Minnesota

Sourcewell
Staples, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
Department of Education			
<i>Passed through Minnesota Department of Education:</i>			
Special Education Cluster (IDEA)			
Special Education Grants to States - Regional Low Incidence	84.027A	0924-83-000 Formula - 421	\$ 679,222
Special Education Grants to States - CSPD	84.027A	0924-83-000 Formula - 432	135,119
Special Education Preschool Grants - Centers of Excellence CSPD	84.173A	0924-83-000 Formula - 430	<u>103,339</u>
Total Special Education Cluster (IDEA)			\$ 917,680
Special Education Grants for Infants and Families - Centers of Excellence CSPD	84.181A	0924-83-000 Formula - 446	<u>106,520</u>
Total Department of Education			\$ 1,024,200
Department of Health and Human Services			
<i>Passed through Minnesota Department of Education:</i>			
Substance Abuse and Mental Health Services			
Projects of Regional and National Significance	93.243	0924-83-000 Formula - 611	7,761
<i>Passed through South Central Service Cooperative</i>			
COVID-19 Public Health Emergency Response:			
Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	0924-83-000 Formula - 699	<u>38,541</u>
Total Department of Health and Human Services			<u>46,302</u>
Total Federal Financial Assistance			<u>\$ 1,070,502</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, 2024. 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

Sourcewell does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Fiscal Compliance Report - 6/30/2024

Help

Logoff

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

Back Print

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$124,499,601	<u>\$124,521,546</u>	<u>(\$21,945)</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$86,584,831	<u>\$83,615,401</u>	<u>\$2,969,430</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$12,679,013</u>	<u>(\$12,679,013)</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.12 Literacy Incentive Aid	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.20 American Indian Education Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.26 S25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.39 English Learner	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.43 School Library Aid	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>				
4.49 Safe Schools Levy	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.71 Student Support Personnel Aid	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted:</i>				18 CUSTODIAL			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
<i>Committed:</i>				4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Unassigned:</i>				20 INTERNAL SERVICE			
4.22 Unassigned Fund Balance	\$115,335,865	<u>\$120,306,313</u>	<u>(\$4,970,448)</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

Sourcewell
Staples, Minnesota

Uniform Financial Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2024

02 FOOD SERVICES

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

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

25 OPEB REVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

Sourcewell
Staples, Minnesota
Schedules of Differences between UFARS and GAAP
Year Ended June 30, 2024

The Minnesota Department of Education has requested to have Cooperatives and Regions report their data in UFARS without the effects of GASB Statements No. 68 and 75 to have consistent data among reporting entities in UFARS.

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

Audit (GAAP) Revenue		\$ 124,499,601
Reconciling Items		
Loss on sale of capital assets	\$ 21,951	
Rounding difference	(6)	
Total reconciling items	<u>21,945</u>	<u>21,945</u>
UFARS Revenue		<u>\$ 124,521,546</u>
Audit (GAAP) Expenses		\$ 86,584,831
Reconciling Items		
Pension adjustment	\$ (1,946,966)	
OPEB adjustment	(14,253)	
Loss on sale of capital assets	21,951	
Contribution to Better Health Collective*	(1,030,159)	
Rounding difference	(3)	
Total reconciling items	<u>(2,969,430)</u>	<u>(2,969,430)</u>
UFARS Expenditures		<u>\$ 83,615,401</u>
Audit (GAAP) Net Position		\$ 115,335,865
Reconciling Items		
Deferred outflows of resources	(10,889,089)	
Net pension liability	20,041,604	
Net OPEB liability	570,316	
Deferred inflows of resources	<u>7,926,630</u>	
Total reconciling items		<u>17,649,461</u>
UFARS Fund Balance		
Nonspendable	\$ 12,679,013	
Unassigned	<u>120,306,313</u>	
Total		<u>\$ 132,985,326</u>

*The Minnesota Department of Education has requested that Sourcewell's contribution of \$1,030,159 to Better Health Collective be recorded as a transfer for UFARS reporting purposes. This amount is included in expenses in the Statement of Revenues, Expenses, and Changes in Net Position for the Sourcewell Fund and contributions in the Statement of Changes in Fiduciary Net Position for Better Health Collective fiduciary fund.



Additional Reports
June 30, 2024

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 (*Government Auditing Standards*), the financial statements of the major fund and the aggregate remaining fund information of Sourcewell, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Sourcewell’s basic financial statements and have issued our report thereon dated December 2, 2024.

Report on 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’s 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 Sourcewell’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 or significant deficiencies may exist that were not identified.

Report on 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 Sourcewell's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sourcewell's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
December 2, 2024



Independent Auditor’s Report on Compliance for the 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 the Major Federal Program

Opinion on the Major Federal Program

We have audited Sourcewell’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Sourcewell’s major federal program for the year ended June 30, 2024. Sourcewell’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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 program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sourcewell and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sourcewell’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Sourcewell's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sourcewell's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sourcewell's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sourcewell's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sourcewell's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sourcewell's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Fargo, North Dakota
December 2, 2024



Independent Auditor's 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 (*Government Auditing Standards*) of the United States, the financial statements of the major fund and the aggregate remaining fund information of Sourcewell as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Sourcewell's basic financial statements, and have issued our report thereon dated December 2, 2024.

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
December 2, 2024

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
Special Education Cluster (IDEA)	
Special Education Grants to States - Regional Low Incidence	84.027A
Special Education Grants to States - CSPD	84.027A
Special Education Preschool Grants - Centers of Excellence CSPD	84.173A

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