



# Annual Financial Report

## Southeast Service Cooperative

Rochester, Minnesota

For the year ended June 30, 2021



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Independent School District No. 921  
Rochester, Minnesota  
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INTRODUCTORY SECTION

SOUTHEAST SERVICE COOPERATIVE  
INDEPENDENT SCHOOL DISTRICT NO. 921  
ROCHESTER, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

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Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Board of Directors  
For the Year Ended June 30, 2021

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Mary Blair-Hoeft	Chairperson	2021
Bree Maki	Vice-chairperson	2021
Lynn Gorski	Treasurer	2023
Jean Roth	Clerk	2022
Mike Christensen	Member	2021
Don Leathers	Member	2024
Jason Marquardt	Member	2021
Monica Sveen-Ziebell	Member	2022
Theresa Arrick-Kruger	Member	2024
Steve Sallee	Executive Director	

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FINANCIAL SECTION

SOUTHEAST SERVICE COOPERATIVE  
INDEPENDENT SCHOOL DISTRICT NO. 921  
ROCHESTER, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of each major enterprise fund of the Southeast Service Cooperative, Rochester, Minnesota, (the Cooperative) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cooperative's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major enterprise fund of the Cooperative as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### ***Revenue and Claims Development Information***

As disclosed in Note 1, information necessary to present the ten-year revenue and claims development information for its Risk Management Pool fund is not readily available and therefore the Cooperative has not presented this information. Accounting principles generally accepted in the United States of America has determined this information is necessary to supplement, although not required to be part of, the basic financial statements.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15, the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in the Cooperative's Net OPEB Liability and Related Ratios starting on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cooperative's basic financial statements. The introductory section and combining and individual fund schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual fund schedules and table and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative'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 the Cooperative's internal control over financial reporting and compliance.



**Abdo**  
Mankato, Minnesota  
November 15, 2021



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## Management's Discussion and Analysis

This section of Southeast Service Cooperative's (the Cooperative) annual financial report presents our discussion and analysis of the Cooperative's financial performance during the fiscal year that ended on June 30, 2021. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

The Cooperative is a membership organization and is recognized in terms of a legal entity as a public entity, independent school district. The Cooperative does not have any levy authority, does not have any tax base, does not receive any regular government funding; and doesn't provide ongoing, regular instructional programming for K-12 students. This is an important consideration in comparing and contrasting the Cooperative's financial statements with other public entities and/or Cooperatives. It is also an important consideration in that revenue has to be generated to provide services and programs for members.

### Overview of the Financial Statements

The financial section of the annual report consists of four parts - Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two enterprise funds: Member Services and Risk Management Pools. Since the Cooperative does not have any significant financial activity because of government funding, there is only one set of statements that is prepared on a *government-wide* basis.

**Government-wide Statements.** The *government-wide statements* report information about the Cooperative using accounting methods similar to those used by private-sector companies. The balance sheet includes all the Cooperative's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position regardless of when cash is received or paid. The two government-wide statements report the Cooperative's *net position* and how they have changed. Net position - the difference between the Cooperative's assets and deferred outflows of resources and liabilities and deferred inflows of resources - are one way to measure the Cooperative's financial health or *position*. Over time, increases or decreases in the Cooperative's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

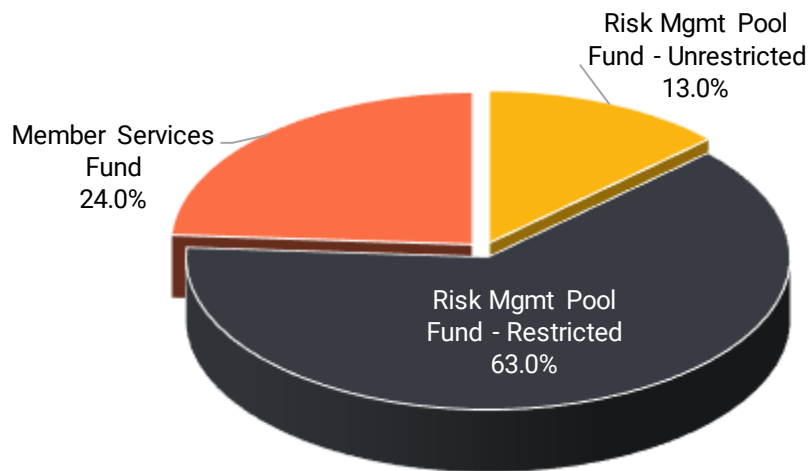
## Southeast Service Cooperative's Summary of Net Position

	Business-type Activities		Increase (Decrease)	
	2021	2020	Amount	Percent
Current and Other Assets	\$ 27,737,953	\$ 27,935,486	\$ (197,533)	(0.7) %
Capital Assets	1,670,409	1,799,777	(129,368)	(7.2)
Total Assets	<u>29,408,362</u>	<u>29,735,263</u>	<u>(326,901)</u>	(1.1)
Deferred Outflows of Resources	<u>1,298,306</u>	<u>1,405,924</u>	<u>(107,618)</u>	(7.7)
Long-term Liabilities Outstanding	2,739,185	1,952,427	786,758	40.3
Other Liabilities	<u>5,357,041</u>	<u>6,038,474</u>	<u>(681,433)</u>	(11.3)
Total Liabilities	<u>8,096,226</u>	<u>7,990,901</u>	<u>105,325</u>	1.3
Deferred Inflows of Resources	<u>1,070,461</u>	<u>1,703,423</u>	<u>(632,962)</u>	(37.2)
Net Position				
Investment in capital assets	1,670,409	1,799,777	(129,368)	(7.2)
Restricted for rate stabilization	13,559,872	14,356,026	(796,154)	(5.5)
Unrestricted	<u>6,309,700</u>	<u>5,291,060</u>	<u>1,018,640</u>	19.3
Total Net Position	<u>\$ 21,539,981</u>	<u>\$ 21,446,863</u>	<u>\$ 93,118</u>	0.4 %

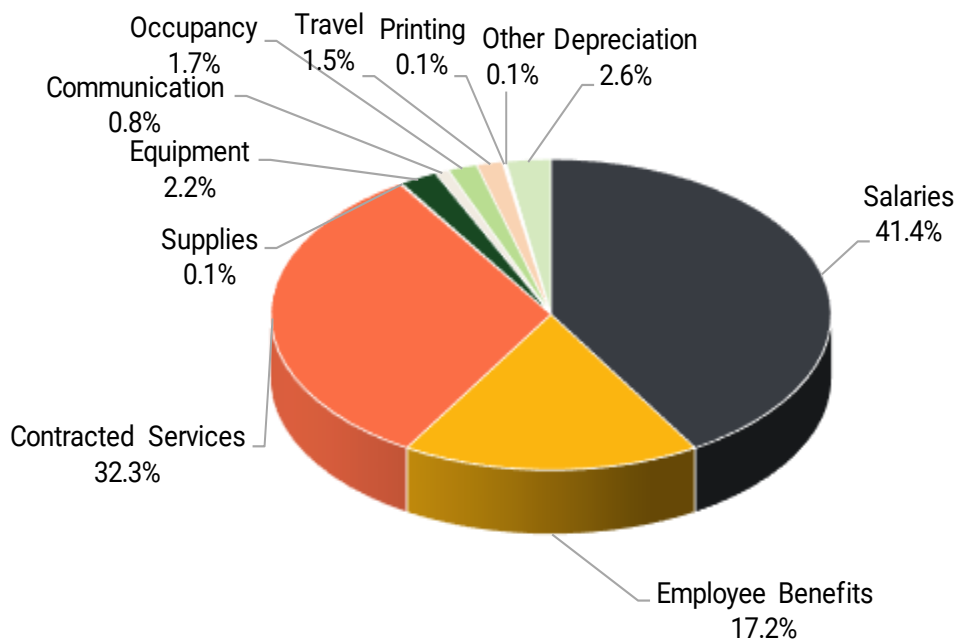
## Southeast Service Cooperative's Changes in Net Position

	Business-type Activities		Increase (Decrease)	
	2021	2020	Amount	Percent
Revenues				
Program revenues				
Fees from patrons	\$ 427,946	\$ 680,103	\$ (252,157)	(37.1) %
Grants	3,340,051	3,068,786	271,265	8.8
Sales and other conversion of assets	176,535	100,642	75,893	75.4
Insurance premiums	66,259,308	68,167,867	(1,908,559)	(2.8)
Administrative fees	2,404,506	2,203,621	200,885	9.1
General revenues				
Interest income	59,365	816,787	(757,422)	(92.7)
Gain (loss) on disposal of capital assets	(2,313)	19,008	(21,321)	(112.2)
Total Revenues	<u>72,665,398</u>	<u>75,056,814</u>	<u>(2,391,416)</u>	(3.2)
Expenses				
Salaries	2,557,978	2,391,695	166,283	7.0
Employee benefits	1,057,033	1,014,670	42,363	4.2
Contracted services	1,991,012	1,318,444	672,568	51.0
Supplies	6,739	36,426	(29,687)	(81.5)
Equipment (not capitalized)	133,153	92,308	40,845	44.2
Communication	49,854	42,994	6,860	16.0
Occupancy	105,077	266,695	(161,618)	(60.6)
Travel	93,811	227,325	(133,514)	(58.7)
Printing	6,715	10,532	(3,817)	(36.2)
Other	5,735	6,111	(376)	(6.2)
Administration	(13,194)	(49,150)	35,956	(73.2)
Depreciation	157,352	164,986	(7,634)	(4.6)
Insurance premiums and administrative fees	10,672,150	6,392,800	4,279,350	66.9
Insurance claims	55,748,865	57,915,029	(2,166,164)	(3.7)
Total Expenses	<u>72,572,280</u>	<u>69,830,865</u>	<u>2,741,415</u>	3.9
Change in Net Position	93,118	5,225,949	(5,132,831)	(98.2)
Net Position - July 1	<u>21,446,863</u>	<u>16,220,914</u>	<u>5,225,949</u>	32.2
Net Position - June 30	<u>\$ 21,539,981</u>	<u>\$ 21,446,863</u>	<u>\$ 93,118</u>	0.4 %

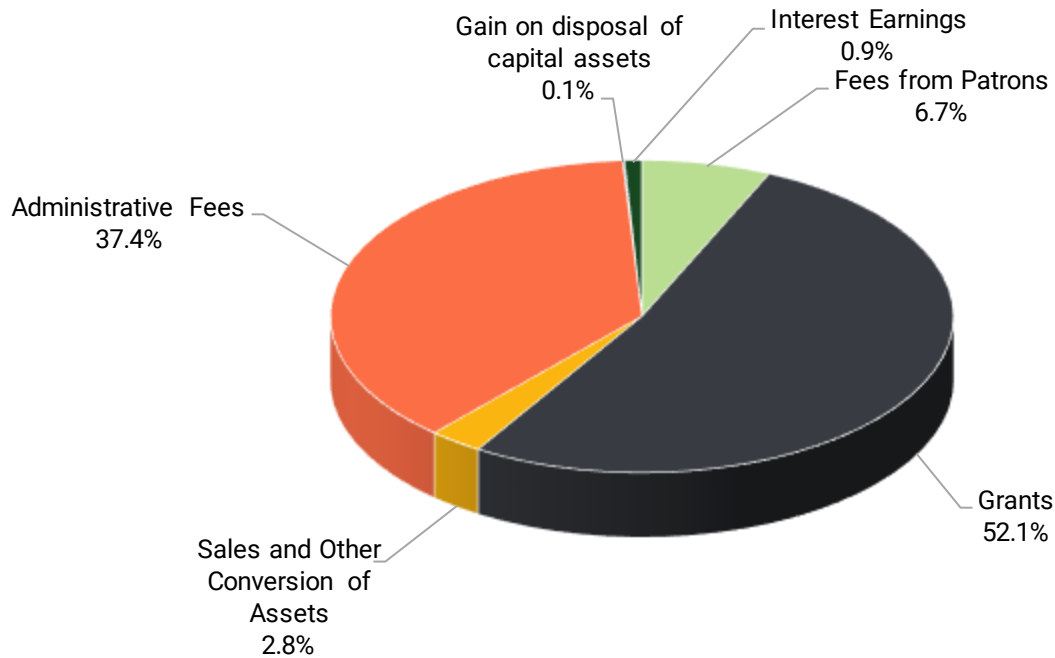
**Net Position  
June 30, 2021**



**Total Expenses (Less Health Premiums and Claims)  
July 1, 2020 to June 30, 2021**



## Total Revenue (Less Health Premiums) July 1, 2020 to June 30, 2021



### Analysis of Financial Position of the Cooperative as a Whole

The Cooperative's combined net position was \$21,539,981 on June 30, 2021. This was an increase of 0.4 percent from the prior year. This is primarily due to the cooperative closely monitoring revenues and expenses throughout the year due to the uncertainties of the pandemic.

The Cooperative continues to bear a 10 percent risk liability for member's claims in the insurance pools. The Cooperative must use insurance reserves to pay for any negative settlements. The Cooperative's insurance reserve is now \$16,362,464 which is a decrease from 2020 of \$794,121. This exceeds a possible 10 percent claims loss. The maximum loss based on this year's claims would be \$5,574,887 (\$55,748,865 X 10 percent). The majority of reserves that are in excess of a 10 percent claim loss risk (\$5,574,887) are intended to reduce insurance premiums paid by members in future years. The Cooperative reviews the status of reserves and strategizes in using them on a one-time basis to set future premiums and or provide cooperative dividends.

Total long-term liabilities increased by \$713,099 or 36.5 percent. This is due to an increase in the Cooperative's share of the Net Pension Liability (NPL) for the Teachers Retirement Association (TRA). The Cooperative's share of NPL for TRA increased from \$1,160,072 to \$1,677,106 or 44.6 percent. This increase are primarily due to the financial conditions of TRA since the Cooperative's share of the NPL have changed very little.

## Southeast Service Cooperative's Capital Assets (Net of Depreciation)

	Business-type Activities		
	2021	2020	Increase (Decrease)
Land	\$ 535,500	\$ 535,500	\$ -
Land Improvements	497,705	497,705	-
Buildings	2,047,697	2,047,697	-
Equipment	639,162	690,147	(50,985)
Less Accumulated Depreciation	<u>(2,049,655)</u>	<u>(1,971,272)</u>	<u>(78,383)</u>
Total	<u>\$ 1,670,409</u>	<u>\$ 1,799,777</u>	<u>\$ (129,368)</u>

The Cooperative combined capital assets were \$1,670,409 on June 30, 2021. This was a decrease of 7.2 percent from the prior year. This decrease was mainly due to depreciation and disposals of assets.

### Financial Analysis of the Cooperative Funds

Revenues decreased overall by 3.2%. This was primarily due to the loss of groups from the mid-year insurance pool as well as two items directly relevant to the worldwide pandemic: reduction in live-event participation fees and significant downturn in interest rates overall.

Expenses decreased overall 3.9%. This is primarily due to lower expenses that are directly relevant to the worldwide pandemic and employees primarily working from home: Occupancy costs, Travel costs and Supply costs.

Both Health Insurance pools currently have fully-funded reserves to protect the financial stability of the pools.

### Factors Bearing on the Cooperative's Future

The Cooperative will continue to strengthen revenue through fees for service and administrative fees related to services needed by member organizations. The Cooperative continues to rely very heavily on the revenue from health insurance programming. The ever-changing impact of Federal, State and local funding for the Cooperative's membership continues to provide both additional opportunities and additional challenges to the Cooperative's services. The Cooperative is seeking ways to continue to diversify revenue in order to be less reliant on health insurance programming funds for future initiatives.

The greatest challenge to the Cooperative's financial position for the future is the 10 percent risk factor that is part of a health pool contractual arrangement. The Cooperative has used a series of processes intended to maintain the financial efficacy of the pools, however, the rising costs and unpredictability of the health insurance market as well as Federal and State legislation will continue to affect future health insurance programming and the finances needed.

### Contacting the Cooperative's Financial Management Staff

This financial report is designed to provide our members, customers, and creditors with a general overview of the Cooperative's finances and to demonstrate the Cooperative's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Accounting Department, Southeast Service Cooperative, 210 Woodlake Drive Southeast, Rochester, MN 55904.

BASIC FINANCIAL STATEMENTS

SOUTHEAST SERVICE COOPERATIVE  
INDEPENDENT SCHOOL DISTRICT NO. 921  
ROCHESTER, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Statement of Net Position  
Proprietary Funds  
June 30, 2021

	Business-type Activities - Enterprise Funds		
	Member Services	Risk Management Pool	Total
Current Assets			
Cash and temporary investments	\$ 5,408,129	\$ 1,996,992	\$ 7,405,121
Cash held by fiscal agent	-	5,108,894	5,108,894
Receivables			
Accounts	17,619	25,039	42,658
Interest	389	1,372	1,761
Due from other districts	1,005	-	1,005
Intergovernmental	767,688	-	767,688
Rate stabilization reserve	-	13,559,872	13,559,872
Prepaid items	38,779	-	38,779
Total Current Assets	<u>6,233,609</u>	<u>20,692,169</u>	<u>26,925,778</u>
Noncurrent Assets			
Land held for resale	-	812,175	812,175
Capital assets			
Land	535,500	-	535,500
Land improvements	497,705	-	497,705
Buildings	2,047,697	-	2,047,697
Equipment	639,162	-	639,162
Less accumulated depreciation	(2,049,655)	-	(2,049,655)
Total capital assets (net of accumulated depreciation)	<u>1,670,409</u>	<u>-</u>	<u>1,670,409</u>
Total Noncurrent Assets	<u>1,670,409</u>	<u>812,175</u>	<u>2,482,584</u>
Total Assets	<u>7,904,018</u>	<u>21,504,344</u>	<u>29,408,362</u>
Deferred Outflows of Resources			
Deferred pension resources	1,291,213	5,977	1,297,190
Deferred other postemployment benefit resources	1,008	108	1,116
Total Deferred Outflows of Resources	<u>1,292,221</u>	<u>6,085</u>	<u>1,298,306</u>
Liabilities			
Current Liabilities			
Accounts and other payables	115,012	3,710	118,722
Salaries payable	108,086	-	108,086
Due to other districts	1,315	-	1,315
Due to other governments	24	-	24
Health claims payable - IBNR	-	5,108,894	5,108,894
Unearned revenue	20,000	-	20,000
Compensated absences payable - current portion	73,659	-	73,659
Total Current Liabilities	<u>318,096</u>	<u>5,112,604</u>	<u>5,430,700</u>
Noncurrent Liabilities			
Compensated absences payable	91,404	-	91,404
Net pension liability	2,468,627	29,857	2,498,484
Other postemployment benefits payable	73,013	2,625	75,638
Total Noncurrent Liabilities	<u>2,633,044</u>	<u>32,482</u>	<u>2,665,526</u>
Total Liabilities	<u>2,951,140</u>	<u>5,145,086</u>	<u>8,096,226</u>

The notes to the financial statements are an integral part of this statement.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Statement of Net Position  
Proprietary Funds (Continued)  
June 30, 2021

	Business-type Activities - Enterprise Funds		
	Member Services	Risk Management Pool	Total
Deferred Inflows of Resources			
Deferred pension resources	\$ 1,057,571	\$ 2,565	\$ 1,060,136
Deferred other postemployment benefit resources	10,011	314	10,325
Total Deferred Outflows of Resources	<u>1,067,582</u>	<u>2,879</u>	<u>1,070,461</u>
Net Position			
Investment in capital assets	1,670,409	-	1,670,409
Restricted for rate stabilization - Mid Year Pool	-	1,162,594	1,162,594
Restricted for rate stabilization - January Pool	-	11,664,060	11,664,060
Restricted for rate stabilization - Small Group Pool	-	733,218	733,218
Unrestricted	<u>3,507,108</u>	<u>2,802,592</u>	<u>6,309,700</u>
Total Net Position	<u>\$ 5,177,517</u>	<u>\$ 16,362,464</u>	<u>\$ 21,539,981</u>
Net Position as Reported Above	\$ 5,177,517	\$ 16,362,464	\$ 21,539,981
Adjustments from net position to UFARS fund balance			
Net pension liability	2,468,627	29,857	2,498,484
Other postemployment benefits payable	73,013	2,625	75,638
Deferred inflows of pension resources	1,057,571	2,565	1,060,136
Deferred outflows of pension resources	(1,291,213)	(5,977)	(1,297,190)
Deferred inflows of other postemployment benefits	10,011	314	10,325
Deferred outflows of other postemployment benefits	<u>(1,008)</u>	<u>(108)</u>	<u>(1,116)</u>
Total UFARS Fund Balance	<u>\$ 7,494,518</u>	<u>\$ 16,391,740</u>	<u>\$ 23,886,258</u>

The notes to the financial statements are an integral part of this statement.

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Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds		
	Member Services	Risk Management Pool	Total
Operating Revenues			
Fees from patrons	\$ 427,946	\$ -	\$ 427,946
Grants			
Local	81,695	-	81,695
State	1,140,733	-	1,140,733
Federal	2,117,623	-	2,117,623
Sales and other conversion of assets	176,535	-	176,535
Insurance premiums	-	66,259,308	66,259,308
Administrative fees	30,601	2,373,905	2,404,506
Total Operating Revenues	<u>3,975,133</u>	<u>68,633,213</u>	<u>72,608,346</u>
Operating Expenses			
Salaries	2,502,583	55,395	2,557,978
Employee benefits	1,035,125	21,908	1,057,033
Contracted services	836,403	1,154,609	1,991,012
Supplies	6,739	-	6,739
Equipment (not capitalized)	133,153	-	133,153
Communication	48,935	919	49,854
Occupancy	101,886	3,191	105,077
Travel	91,549	2,262	93,811
Printing	6,707	8	6,715
Other	5,735	-	5,735
Administration	(745,633)	732,439	(13,194)
Depreciation	157,352	-	157,352
Insurance premiums and administrative fees	-	10,672,150	10,672,150
Insurance claims	-	55,748,865	55,748,865
Total Operating Expenses	<u>4,180,534</u>	<u>68,391,746</u>	<u>72,572,280</u>
Operating Income (Loss)	<u>(205,401)</u>	<u>241,467</u>	<u>36,066</u>
Nonoperating Revenues (Expenses)			
Interest income	5,510	53,855	59,365
Gain (loss) on disposal of capital assets	(2,313)	-	(2,313)
Total Nonoperating Revenues (Expenses)	<u>3,197</u>	<u>53,855</u>	<u>57,052</u>
Income (Loss) Before Transfers	(202,204)	295,322	93,118
Transfers In	1,089,443	-	1,089,443
Transfers Out	-	(1,089,443)	(1,089,443)
Change in Net Position	887,239	(794,121)	93,118
Net Position, July 1	<u>4,290,278</u>	<u>17,156,585</u>	<u>21,446,863</u>
Net Position, June 30	<u>\$ 5,177,517</u>	<u>\$ 16,362,464</u>	<u>\$ 21,539,981</u>

The notes to the financial statements are an integral part of this statement.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds		
	Member Services	Risk Management Pool	Total
Cash Flows from Operating Activities			
Cash received from members	\$ 678,985	\$ 68,818,534	\$ 69,497,519
Cash payments to suppliers for goods and services	(712,563)	(12,591,369)	(13,303,932)
Cash payments on insurance claims and settlements	-	(55,339,759)	(55,339,759)
Cash payments to employees for services	(3,331,146)	(79,335)	(3,410,481)
Grant receipts	3,743,474	-	3,743,474
Net Cash Provided (Used) by Operating Activities	378,750	808,071	1,186,821
Cash Flows from Noncapital and Related Financing Activities			
Transfers in	1,089,443	-	1,089,443
Transfers out	-	(1,089,443)	(1,089,443)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	1,089,443	(1,089,443)	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(31,448)	-	(31,448)
Proceeds from sale of equipment	1,151	-	1,151
Net Cash Provided (Used) by Capital and Related Financing Activities	(30,297)	-	(30,297)
Cash Flows from Investing Activities			
Interest received on investments	6,113	67,697	73,810
Net Increase (Decrease) in Cash and Cash Equivalents	1,444,009	(213,675)	1,230,334
Cash and Cash Equivalents, July 1	3,964,120	7,319,561	11,283,681
Cash and Cash Equivalents, June 30	<u>\$ 5,408,129</u>	<u>\$ 7,105,886</u>	<u>\$ 12,514,015</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and temporary investments	\$ 5,408,129	\$ 1,996,992	\$ 7,405,121
Cash held with fiscal agent	-	5,108,894	5,108,894
Total Cash and Cash Equivalents	<u>\$ 5,408,129</u>	<u>\$ 7,105,886</u>	<u>\$ 12,514,015</u>

The notes to the financial statements are an integral part of this statement.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Statement of Cash Flows  
Proprietary Funds (Continued)  
For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds		
	Member	Risk	
	Services	Management	Total
		Pool	
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities			
Operating income (loss)	\$ (205,401)	\$ 241,467	\$ 36,066
Adjustments to reconcile operating income (loss) to			
net cash provided (used) by operating activities			
Depreciation expense	157,352	-	157,352
(Increase) decrease in assets			
Accounts receivable	18,968	185,321	204,289
Due from other districts	23,935	-	23,935
Intergovernmental	403,423	-	403,423
Rate stabilization reserve	-	796,154	796,154
Prepaid items	(14,379)	-	(14,379)
(Increase) decrease in deferred outflow of resources			
Deferred pension resources	110,138	(1,945)	108,193
Deferred other postemployment benefit resources	(560)	(15)	(575)
Increase (decrease) in liabilities			
Accounts and other payables	(190,473)	1,732	(188,741)
Salaries payable	(114)	-	(114)
Due to other districts	(16,185)	-	(16,185)
Due to other governments	(6,052)	(27,523)	(33,575)
Health claims payable - IBNR	-	(387,048)	(387,048)
Unearned revenue	1,000	-	1,000
Compensated absences payable	55,901	-	55,901
Net pension liability	652,522	5,851	658,373
OPEB Liability	15,296	418	15,714
Increase (decrease) in deferred inflow of resources			
Deferred pension resources	(623,272)	(6,249)	(629,521)
Deferred other postemployment benefit resources	(3,349)	(92)	(3,441)
Net Cash Provided (Used) by Operating Activities	<u>\$ 378,750</u>	<u>\$ 808,071</u>	<u>\$ 1,186,821</u>
Noncash Transactions Involving Capital and			
Related Financing Activities			
Book Value of Disposed Capital Assets	<u>\$ 3,464</u>	<u>\$ -</u>	<u>\$ 3,464</u>

The notes to the financial statements are an integral part of this statement.

Southeast Service Cooperative  
Rochester, Minnesota  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2021

	MASA Region I
Assets	
Cash and investments	\$ 4,744
Due from other governments	<u>250</u>
Total Assets	<u><u>\$ 4,994</u></u>
Fund Balance	
Restricted	<u><u>\$ 4,994</u></u>

The notes to the financial statements are an integral part of this statement.

Southeast Service Cooperative  
Rochester, Minnesota  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
June 30, 2021

	MASA Region I
Revenues	
Member fees	\$ 22,241
Investment earnings	3
Total Revenues	<u>22,244</u>
Expenditures	
Health Services	
Salaries	<u>17,250</u>
Change in Net Position	4,994
Net Position, July 1	<u>-</u>
Net Position, June 30	<u><u>\$ 4,994</u></u>

The notes to the financial statements are an integral part of this statement.

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Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Southeast Service Cooperative (the Cooperative) is a public agency established by an act of the 1976 Legislature of the State of Minnesota. The primary purpose is to provide services, programs, in-service education, and planning to participating school districts within an 11 county region in Southeastern Minnesota. The Cooperative has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Cooperative are such that exclusion would cause the Cooperative's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Cooperative has no component units that meet the GASB criteria.

**B. Joint Powers Agreement for Group Employee's Benefit and Other Risk Management Services**

The Cooperative and its participating members have established a risk management program. The objective is to procure and manage insurance programs at lower costs. Members fund this program by remitting to the Cooperative an actuarially determined premium. A fee is paid to BCBSM, Inc. on a monthly basis for administering the program. The claims portion is remitted to Minnesota HealthCare Consortium on a monthly basis, who in turns pays to BCBSM on a weekly basis. There are 15 Mid-Year pool and 27 January 1 Pool groups in the pools.

The Pool is administered by an agreement with Minnesota Healthcare Consortium (MHC) from July 1, 2020 to June 30, 2021.

BCBSM, Inc. and the Cooperative on an annual basis, calculate an estimate of future claims based on claims experience and actuarial studies to determine premiums. At the end of each plan year, a settlement is made with MHC and the reserve account and the Incurred but Not Reported (IBNR) are funded. BCBSM, Inc. retains the risk for claims above the Cooperative's 110 percent aggregate attachment point, but the Cooperative is responsible for claims from 100 percent to 110 percent. The Cooperative purchases through BCBSM, Inc., stop-loss insurance to pay individual insurance member claims in excess of \$500,000 for members of the pools. The Cooperative purchases additional stop-loss insurance through the Minnesota HealthCare Consortium for the Government and School pools in a tiered rating as follows: \$75,000 for Groups 2-50, \$100,000 for Group 51-99 and \$200,000 for Groups 100+. The premium plan year- end is August 31 for Mid-Year pool and December 31 for the January 1 pool, even though premium and claims activity is reported using a June 30 year end. As of June 30, 2021, plan year ending December 31, 2020 for the Government pool has been settled and the plan year ended August 31, 2020 for the School pool has been settled.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

As a part of the overall program, Minnesota Healthcare Consortium (MHC) has established a Rate Stabilization Reserve (RSR) to provide cash flow for the insurance program. This reserve is ongoing and was established by MHC with a contribution equal to one month's estimated charges. Each month, a portion of the premiums are to be deposited into the RSR to maintain this fund. The RSR is used to provide funds when claims exceed premiums and to fund the IBNR Claims account if there are insufficient funds to fund that liability and to receive any over-funding of the IBNR. Negative balances in the RSR represent advances to the Cooperative and are reflected in the financial statements as a liability. The RSR balance is adjusted on an annual basis as part of the year-end settlement as referred to above. The RSR activity and balances reflect the balances as of June 30, 2021 for the Mid-Year Pool and the January 1 Pool and are based on estimates from MHC using data from BCBSM.

**C. Basic Financial Statement Presentation**

All activities of the Cooperative are accounted for within two enterprise funds. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. Proprietary funds are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of the proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting* in accordance with accounting principles generally accepted in the United States of America. 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 as revenue as soon as all eligibility requirements imposed by the provider have been met. Fiduciary funds are used to account for resources held for the benefit of parties outside of the Cooperative. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Cooperative's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Cooperative receives value without directly giving equal value in return, include grants, entitlement and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Cooperative must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Cooperative on a reimbursement basis.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

**E. Description of Funds**

The Cooperative reports the following major proprietary funds:

The *Member Services fund* is the Cooperative's primary operating fund. The fund accounts for all financial resources of the Cooperative, except those required to be accounted for in another fund.

The *Risk Management Services fund* is used to account for the various member services and risk management pool activities of the Cooperative and also "termination reserves", recalculated at annual settlement, to pay claims run-out in the event the pool's relationship with BCBSM Inc. ceases.

*Fiduciary funds:*

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment funds. Or private-purpose trust funds. The Cooperative's custodial fund accounts for activities for Masa Region I.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing insurance services to members in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Cooperative's enterprise funds are charges to customers for insurance services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

**Deposits and Investments**

The Cooperative's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The Cooperative may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Cooperative has not adopted a formal investment policy that addresses interest rate and credit risk.

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

The Cooperative 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.

The Cooperative has the following recurring fair value measurements as of June 30, 2021:

- Negotiable certificates of deposit of \$3,042,562 are valued using a matrix pricing model (Level 2 inputs)

**Accounts Receivable**

Accounts receivable include amounts billed to members for services provided before year end. All trade receivables are shown net of an allowance for uncollectible accounts. It has been determined, as of June 30, 2021, that no allowance for uncollectible accounts is necessary.

**Rate Stabilization Reserve**

As described in Note 1B, MHC retains a portion of the premium paid as a rate stabilization reserve. This amount is recalculated annually in conjunction with the annual settlement. Negative balances in the RSR represent advances by MHC and require repayment by the Plan. For the plan years ended June 30, 2021 and 2020, the rate stabilization reserve held by MHC, Inc. was \$13,559,872 and \$14,356,026, respectively.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Assets Held for Resale**

These assets represent land owned by the Cooperative with the intent to sell to developers. This land is recorded at the lesser of historical cost or net realizable value.

**Capital Assets**

Capital assets include property, plant and equipment. Capital assets are defined by the Cooperative as assets with an initial, individual cost of more than \$2,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Cooperative are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	24
Equipment and Vehicles	3 - 15

**Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Cooperative has two items that qualifies for reporting in this category. Accordingly, the items, deferred pension resources and deferred OPEB resources, are reported only in the statement of net position. The pension resources result from actuarial calculations and current year pension contributions made subsequent to the measurement date. The OPEB resources are current year OPEB contributions made subsequent to the measurement date.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Health Claims Payable - IBNR (Incurred but Not Reported)**

Health claims payable include provisions for claims reported but not settled, future claims adjustment expenses, and claims incurred but not reported (IBNR). The provision for these claims liabilities is determined by an actuarial calculation prepared by MHC, Inc. based on claims incurred plus a completion factor estimating the amount, which will ultimately be paid by each claimant. The provision for claims liabilities is estimated based on the Cooperative's experience since the inception of the program, and is based on the June 30, 2021 estimated settlement for both pools. The Cooperative has reserved investments in excess of these liabilities. Management believes the claims liabilities based on HMC estimated actuarial calculations as of June 30, 2021 adequately reflect the estimated claims liabilities for the current year ended June 30, 2021.

Information necessary to separate claims reported but not settled, claims adjustment expenses, and claims incurred but not reported is not readily available. Such information includes the actuarial estimates of incurred claims and expenses at the end of the year, claims paid related to prior years' claims, and subsequent adjustments to prior years' estimates for incurred claims and expenses. This information, if available, can be used to present Ten-Year Claims Development Information.

**Pensions**

**Teachers Retirement Association (TRA)**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

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 merger 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 3.

**Public Employees Retirement Association (PERA)**

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the (GERP) and TRA is as follows:

	<u>GERP</u>	<u>TRA</u>	<u>Total Pension Expense</u>
Pension Expense	\$ 10,757	\$ 333,727	\$ 344,484

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### **Deferred Inflows of Resources**

In addition to liabilities, the statement of net position and fund financial statements 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. The Cooperative has two items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

### **Other Postemployment Benefits**

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at July 1, 2020.

### **Vacation Payable**

Vacation pay is earned based on position and years of service. Vacation may be accumulated up to a maximum amount equal to 2 times the amount the employee is eligible to earn in the current year. Employees are required to take at least five consecutive days of vacation each year. The Member Services fund is typically used to liquidate vacation payable.

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation.
- b. Restricted net position - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the Cooperative's policy to use restricted resources first, then unrestricted resources as they are needed.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

## Note 2: Detailed Notes on All Funds

### A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Cooperative's deposits and investments may not be returned or the Cooperative will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Directors, the Cooperative maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Cooperative deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any Federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Cooperative.

At year end, the Cooperative's carrying amount of deposits was \$911,370 and the bank balance was \$1,093,834 which was covered by federal depository insurance.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAAm. The Cooperative's investment in the MSDLAF and Broker money markets are equal to the value of pool shares.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 2: Detailed Notes on All Funds (Continued)**

As of June 30, 2021, the Cooperative had the following investments that are insured or registered, or securities held by the Cooperative or its agent in the Cooperative's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Minnesota School District Max Class	N/A	less than 6 months	\$ 3,452,984	\$ -	\$ -	\$ -
Minnesota School District Liquid Asset Fund	N/A	less than 6 months	5,111,743	-	-	-
Non-pooled Investments at Fair Value						
Negotiable certificates of deposit	AAA	under 1 year	3,042,562	-	3,042,562	-
Total Investments			\$ 11,607,289	\$ -	\$ 3,042,562	\$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

N/A indicates not applicable or available.

(2) Interest rate risk is disclosed using the segmented time distribution method.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 2: Detailed Notes on All Funds (Continued)**

A reconciliation of cash and temporary investments as shown on the statement of net position for the Cooperative follows:

Deposits	\$ 911,370
Cash on Hand	100
Investments	<u>11,607,289</u>
Total	12,518,759
Less fiduciary fund cash and temporary investments	<u>(4,744)</u>
Total cash	<u>\$ 12,514,015</u>
Cash and Temporary Investments	\$ 7,409,865
Cash Held by Fiscal Agent	<u>5,108,894</u>
Total	12,518,759
Less fiduciary fund cash and temporary investments	<u>(4,744)</u>
Total	<u>\$ 12,514,015</u>

**B. Capital Assets**

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 535,500	\$ -	\$ -	\$ 535,500
Capital Assets Being Depreciated				
Land improvements	497,705	-	-	497,705
Buildings	2,047,697	-	-	2,047,697
Equipment	690,147	31,448	(82,433)	639,162
Total Capital Assets Being Depreciated	<u>3,235,549</u>	<u>31,448</u>	<u>(82,433)</u>	<u>3,184,564</u>
Less Accumulated Depreciation for				
Land improvements	(192,878)	(24,885)		(217,763)
Buildings	(1,234,977)	(76,305)		(1,311,282)
Equipment	(543,417)	(56,162)	78,969	(520,610)
Total Accumulated Depreciation	<u>(1,971,272)</u>	<u>(157,352)</u>	<u>78,969</u>	<u>(2,049,655)</u>
Total Capital Assets Being Depreciated, Net	<u>1,264,277</u>	<u>(125,904)</u>	<u>(3,464)</u>	<u>1,134,909</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,799,777</u>	<u>\$ (125,904)</u>	<u>\$ (3,464)</u>	<u>\$ 1,670,409</u>
Depreciation expense was charged to business-type activities as follows:				
Member Services				<u>\$ 157,352</u>

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**Note 2: Detailed Notes on All Funds (Continued)**

**C. Interfund Receivables, Payables and Transfers**

During 2021, the Cooperative transferred \$1,089,443 from the Risk Management Pool to the Member Services fund. This transfer occurred to move cash reserves from the current year, which is attributable to health insurance operations of the Members Services fund.

**D. Leases and Rents**

**Operating Leases**

The Cooperative is under contract for thirteen operating leases at year end. They are leasing mailing equipment from Pitney Bowes for four years at a base rate of \$69 per month. This lease expires in July 2022. The Cooperative also has a lease for six Jeep Cherokees and two Nissan Rogues under a master lease agreement with Enterprise Fleet Management for five years. One of the Jeep Cherokee's were sold during the fiscal year 2021. Monthly lease payments vary from \$4,100 to \$6,205 depending on timing of sales and additions of new leases. The last lease expires August 2024. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Mailing Equipment	Vehicles	Total
2022	\$ 828	\$ 54,596	\$ 55,424
2023	69	54,596	54,665
2024	-	33,529	33,529
2025	-	4,209	4,209
Total	<u>\$ 897</u>	<u>\$ 146,930</u>	<u>\$ 147,827</u>
Lease Expense - 2021	<u>\$ 827</u>	<u>\$ 54,594</u>	<u>\$ 55,421</u>

**E. Long-term Debt**

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Business-type Activities					
Other Liabilities					
Compensated absences payable	<u>\$ 109,162</u>	<u>\$ 140,687</u>	<u>\$ (84,786)</u>	<u>\$ 165,063</u>	<u>\$ 73,659</u>

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**Note 2: Detailed Notes on All Funds (Continued)**

**F. Unrestricted - Board Designated Net Position**

Board designated unrestricted net position for the year ended June 30, 2021 is as follows:

	Member Services	Risk Management Pool
Designated for Unemployment Fund	\$ 183,927	\$ -

**Note 3: Defined Benefit Pension Plans Statewide**

Substantially all employees of the Cooperative are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

**A. Teachers Retirement Association (TRA)**

**1. Plan Description**

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota statutes, chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active member, 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 Define Contribution Plan (DCR) administered by the State of Minnesota.

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**Note 3: Defined Benefit Pension Plans Statewide**

**A. Teachers Retirement Association (TRA)**

**2. 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 as described:

<b>Tier I:</b>	<b>Step Rate Formula</b>	<b>Percentage</b>
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

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

**or**

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

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**Note 3: Defined Benefit Pension Plans Statewide**

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

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

**3. Contribution Rate**

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

Plan	Ending June 30, 2019		Ending June 30, 2020		Ending June 30, 2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.71%	11.00%	11.92%	11.00%	12.13%
Coordinated	7.50%	7.71%	7.50%	7.92%	7.50%	8.13%

The Cooperative's contributions to TRA for the years ending June 30, 2021, 2020 and 2019 were \$120,353, \$102,977 and \$78,413, respectively. The Cooperative's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

Employer contributions reported in TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position	\$425,223,000
Add employer contributions not related to future contribution efforts	(56,000)
Deduct TRA'S contributions not included in allocation	<u>(508,000)</u>
 Total employer contributions	 424,659,000
Total non-employer contributions	<u>35,587,000</u>
 Total contributions reported in schedule of employer and non-employer pension allocations	 <u><u>\$460,246,000</u></u>

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

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**Note 3: Defined Benefit Pension Plans Statewide (Continued)**

**4. Actuarial Assumptions**

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

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Actuarial information

Valuation date	July 1, 2020
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal

Actuarial assumptions

Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually

Mortality assumption

Pre-retirement	RP-2014 white collar employee table, male rates set back six 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.

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

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 Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.50 %	5.10 %
International Equity	17.50	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	2.00	-
	<hr/>	
Total	<u>100.00 %</u>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2019 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 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 2019 valuation:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to 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.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

**5. Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**6. Net Pension Liability**

At June 30, 2021, the Southeast Service Cooperative (the Cooperative) reported a liability of \$1,677,106 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Cooperative's proportion of the net pension liability was based on the Cooperative's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The Cooperative proportionate share was 0.0227 percent at the end of the measurement period and 0.0182 percent for the beginning of the year.

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

Cooperative's Proportionate Share of Net Pension Liability	\$ 1,677,106
State's Proportionate Share of Net Pension Liability Associated With the Cooperative	140,533

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

For the year ended June 30, 2021, the Cooperative recognized pension expense of \$320,853 . It also recognized \$12,874 as an increase to pension expense for the support provided by direct aid.

On June 30, 2021, the Cooperative had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 34,535	\$ 18,454
Changes in Actuarial Assumptions	444,675	905,250
Net Difference Between Projected and Actual Earnings on Plan Investments	73,799	-
Changes in Proportion	471,344	37,740
Contributions to TRA Subsequent to the Measurement Date	120,353	-
	<u>\$ 1,144,706</u>	<u>\$ 961,444</u>
Total		

Deferred outflows of resources totaling \$120,353 related to pensions resulting from the Cooperative's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2022	\$ 143,563
2023	(105,537)
2024	(77,723)
2025	95,632
2026	6,974

**7. Pension Liability Sensitivity**

The following presents the net pension liability of TRA calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

Cooperative proportionate share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 2,567,632	\$ 1,677,106	\$ 943,358

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

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

**8. 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 [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org), by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling (651-296-2409 or 800-657-3669).

**B. Public Employees Retirement Association (PERA)**

**1. Plan Description**

The Cooperative participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (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.

General Employees Retirement Plan

All full-time and certain part-time employees of the Cooperative are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**2. 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 Employee Plan Benefits

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

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

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

**3. Contributions**

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the Cooperative was required to contribute 7.50 percent for Coordinated Plan members. The Cooperative's contributions to the General Employees Fund for the years ending June 30, 2021, 2020 and 2019 were \$69,888, \$73,493 and \$65,541, respectively. The Cooperative's contributions were equal to the contractually required contributions for each year as set by state statute.

**4. Pension Costs**

General Employee Plan Pension Costs

At June 30, 2021, the Cooperative reported a liability of \$821,378 for its proportionate share of the General Employee Fund's net pension liability. The Cooperative's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Cooperative totaled \$21,166. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Cooperative's proportionate share of the net pension liability was based on the Cooperative's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the Cooperative's proportion was 0.0137 percent which was an increase of 0.0014 percent from its proportion measured as of June 30, 2020.

Cooperative's Proportionate Share of Net Pension Liability	\$ 821,378
State of Minnesota's proportionate share of the net pension liability associated with the Cooperative	21,166
Total	<u>\$ 842,544</u>

For the year ended June 30, 2021, the Cooperative recognized pension expense of \$8,541 for its proportionate share of the General Employees Plan's pension expense. In addition, the Cooperative recognized an additional \$2,216 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 6,762	\$ 3,108
Changes in Actuarial Assumptions	-	29,808
Net Difference Between Projected and Actual Earnings on Plan Investments	10,691	-
Changes in Proportion	65,143	65,776
Contributions to GERP Subsequent to the Measurement Date	69,888	-
Total	<u>\$ 152,484</u>	<u>\$ 98,692</u>

The \$69,888 reported as deferred outflows of resources related to pensions resulting from the Cooperative's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (67,224)
2023	(5,918)
2024	37,206
2025	19,840

**5. Actuarial Assumptions**

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employee Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

The following changes in actuarial assumptions occurred in 2021:

General Employees Fund

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.

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**Note 3: Defined Benefit Pension Plans - Statewide (Continued)**

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 Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	36.00 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
International Stocks	17.00	5.30
Cash	2.00	-
Total	<u>100.00 %</u>	

**6. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 7.50 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 Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**7. Pension Liability Sensitivity**

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

Cooperative Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 1,316,383	\$ 821,378	\$ 413,038

**8. 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](http://www.mnpera.org).

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#### **Note 4: Postemployment Benefits Other Than Pensions**

##### **A. Plan Description**

The Cooperative operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the Cooperative's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the Cooperative. The Cooperative provides benefits to active employees, but does not contribute towards retirees on the Plan. The Plan does not issue a publicly available report.

At June 30, 2021, the following employees were covered by the benefit terms:

Active Plan Members

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##### **B. Funding Policy**

The Cooperative contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement. For the year ended June 30, 2021, the Cooperative's average contribution rate was 2.57 percent of covered-employee payroll. For the year 2021, implicit contributions totaled \$541.

##### **C. Actuarial Methods and Assumptions**

The Cooperative's total OPEB liability of \$75,638 was measured as of July 1, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date and the Plan's fiscal year end.

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.10%
20-year Municipal Bond Yield	3.10%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.25% as of July 1, 2020 grading to 5.00% over 5 years

The discount rate used to measure the total OPEB liability was 3.10 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2020 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 4: Postemployment Benefits Other Than Pensions (Continued)**

**D. Changes in the Total OPEB Liability**

	Total OPEB Liability (a)
Balances at June 30, 2020	\$ 59,924
Changes for the Year:	
Service cost	13,973
Interest	2,282
Benefit payments	(541)
Net Changes	15,714
Balances at June 30, 2021	\$ 75,638

Since the prior measurement date, there were no changes in assumptions or benefit terms.

**E. Sensitivity of the Total OPEB Liability**

The following presents the total OPEB liability of the Cooperative, as well as what the Cooperative's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.10 percent) or 1-percentage-point higher (4.10 percent) than the current discount rate:

1 Percent Decrease (2.10%)	Current (3.10%)	1 Percent Increase (4.10%)
\$ 80,648	\$ 75,638	\$ 70,788

The following presents the total OPEB liability of the Cooperative, as well as what the Cooperative's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rate that is 1-percentage point lower (5.25 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.25 percent decreasing to 6.00 percent) than the current Healthcare Cost Trend Rate:

1 Percent Decrease (5.25% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% decreasing to 5.00%)	1 Percent Increase (7.25% decreasing to 6.00%)
\$ 66,197	\$ 75,638	\$ 86,792

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 4: Postemployment Benefits Other Than Pensions (Continued)**

**F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the Cooperative recognized OPEB expense of \$12,133. At June 30, 2021, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 8,176
Changes in Actuarial Assumptions	-	2,149
Contributions to OPEB Subsequent to the Measurement Date	1,116	-
Total	<u>\$ 1,116</u>	<u>\$ 10,325</u>

Deferred outflows of resources totaling \$1,116 related to OPEB resulting from the Cooperatives contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022.

**Note 5: Commitment**

The Cooperative continues to bear a 10 percent risk liability for member's claims in the insurance pools. The Cooperative must use insurance reserves to pay for any negative settlements. The Cooperative's insurance reserve is now \$16,362,464 which exceeds the 10 percent claims loss. The maximum loss based on this year's claims would be \$5,574,887 (\$55,748,865 X 10 percent).

**Note 6: Joint Powers Agreement**

Minnesota Services Cooperative (MSC - hereafter referred to as "the Agency") was established under a joint and cooperative agreement between Southeast Service Cooperative, Northwest Service Cooperative, Lakes Country Service Cooperative, Southwest/West Central Service Cooperative, Resource, Training and Solutions, Northeast Service Cooperative, South Central Service Cooperative and Metropolitan Educational Cooperative Service Unit (Metro ECSU) and Sourcewell. The general purpose of the Agency is to analyze and identify service opportunities and needs for the participating members as well as facilitate the creation and delivery of the determined programs.

The Agency's fiscal year runs from July 1 to June 30. The governing body of the Agency is made up of individuals from the member cooperatives. An annual budget is presented to and approved by the Board of Directors. Funds may be expended by the Board of Directors or the Executive Council in accordance with established laws and based on budget amounts.

In the event of dissolution of the Agency, assets and liabilities shall be divided among all members. An investment in joint venture is not recorded for MSC because there is no known or explicit method for dividing up the assets and liabilities of MSC in the event of dissolution. We cannot reasonably estimate the Cooperative's portion of MSC.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 6: Joint Powers Agreement (Continued)**

In August 2017, the Cooperative agreed, along with six other cooperatives throughout the state of Minnesota, to establish a new joint powers entity. The purpose of this agreement is to permit the parties to establish a statewide joint powers entity with enumerated decision-making powers over regional health insurance pools, to purchase and hold a statewide stop-loss insurance policy at higher attachment points for lower fees, to permit limited commingling of Program Funds in a statewide reserve to permit stop loss insurance pooling at lower attachment points for members in regional health insurance pools, and to enter into statewide contracts with third party administrators, employees, consultants, actuaries, attorneys, lobbyists and other vendors. The board shall be comprised of two board members from each party to the agreement. One board member from each party shall be a current sitting member of that party's board of directors, and shall be appointed by the party's board of directors. The second board member shall be the then current Executive Director of that party and shall service in an ex-officio non-voting capacity.

During fiscal year 2021 the MHC amended their joint powers agreement to include a Small Employer Pool that commingles program funds across regional insurance pools to the extent authorized by the MHC Board of Directors into a statewide pool. The risk for this pool is with MHC with an intent to remain as one pool in the future. The Joint Venture Equity share for SSC is based on the number of regional contracts.

The premium plan year-end is June 30 for the small group pool, premium and claims activity is reported using a June 30 year-end. As of June 30, 2021, there is a remaining investment in joint venture of \$0.

**Note 7: Other Information**

**Risk Management**

The Cooperative is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Cooperative carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNR). The Cooperative's management is not aware of any incurred but not reported claims.

**Southeast Minnesota Network Collaborative**

Southeast Service Cooperative serves as a fiscal host for the Southeast Minnesota Network Collaborative (SEMNET). SEMNET is a group of Members that instituted a joint power agreement to develop and implement advanced telecommunications services.

**MASA-Region I**

Southeast Service Cooperative began serving as the fiscal host for MASA Region 1 July 1, 2020. MASA Region 1 is a group of regional superintendents from southeast Minnesota who are individual members of the statewide organization Minnesota Association of School Administrators (MASA). The regional funds are used for educational purposes for school leaders.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 8: Subsequent Event**

Effective January 1, 2022, MHC has entered into a new agreement with Medica and will be terminating the agreement with BCBSM, Inc. January 1 Pool groups will transition from BCBSM and onto Medica on January 1, 2022. Mid-Year groups will transition from BCBSM and onto Medica on September 1, 2022.

**Note 9: COVID-19**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the Cooperative cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the Cooperative's financial condition, liquidity, and future results of its revenue collections is uncertain.

REQUIRED SUPPLEMENTARY  
INFORMATION

SOUTHEAST SERVICE COOPERATIVE  
INDEPENDENT SCHOOL DISTRICT NO. 921  
ROCHESTER, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Required Supplementary Information  
For the Year Ended June 30, 2021

**Schedule of Employer's Share of TRA Net Pension Liability**

Fiscal Year Ending	Cooperative's Proportion of the Net Pension Liability	Cooperative's Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability with the Cooperative (b)	Total (a+b)	Cooperative's Covered Payroll (c)	Cooperative's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0227 %	\$ 1,677,106	\$ 140,533	\$ 1,817,639	\$ 1,300,215	129.0 %	75.5 %
06/30/19	0.0182	1,160,072	102,608	1,262,680	1,017,024	114.1	78.2
06/30/18	0.0137	858,543	80,915	939,458	755,195	113.7	78.1
06/30/17	0.0122	2,435,341	235,780	2,671,121	655,973	371.3	51.6
06/30/16	0.0143	3,410,891	341,595	3,752,486	744,107	458.4	44.9
06/30/15	0.0144	890,782	109,491	1,000,273	756,173	117.8	76.8
06/30/14	0.0124	571,383	40,280	611,663	568,129	100.6	81.1

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's TRA Contributions**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Cooperative's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/21	\$ 120,353	\$ 120,353	\$ -	\$ 1,480,357	8.13 %
06/30/20	102,977	102,977	-	1,300,215	7.92
06/30/19	78,413	78,413	-	1,017,024	7.71
06/30/18	56,640	56,640	-	755,195	7.50
06/30/17	49,198	49,198	-	655,973	7.50
06/30/16	55,808	55,808	-	744,107	7.50
06/30/15	56,713	56,713	-	756,173	7.50

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Notes to the Required Supplementary Information - TRA**

Changes in Actuarial Assumptions

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to 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. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - None

2018 - 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Notes to the Required Supplementary Information – TRA(Continued)**

Changes in Plan Provisions

2020 - None

2019 - None

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- 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, 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 – None

2016 – None

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Schedule of Employer's Share of PERA Net Pension Liability**

Fiscal Year Ending	Cooperative's Proportion of the Net Pension Liability	Cooperative's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Cooperative (b)	Total (a+b)	Cooperative's Covered Payroll (c)	Cooperative's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0137 %	\$ 821,378	\$ 21,166	\$ 842,544	\$ 979,913	83.8 %	89.5 %
06/30/19	0.0123	680,039	21,166	701,205	873,878	77.8	80.2
06/30/18	0.0140	776,663	25,372	802,035	939,261	82.7	79.5
06/30/17	0.0148	944,822	11,884	956,706	953,739	99.1	75.9
06/30/16	0.0145	1,177,328	15,387	1,192,715	900,093	130.8	68.9
06/30/15	0.0119	616,720	-	616,720	685,653	89.9	78.2
06/30/14	0.0131	615,372	-	615,372	686,841	89.6	78.7

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's PERA Contributions**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Cooperative's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/21	\$ 69,888	\$ 69,888	\$ -	\$ 931,840	7.5 %
06/30/20	73,493	73,493	-	979,913	7.5
06/30/19	65,541	65,541	-	873,878	7.5
06/30/18	70,445	70,445	-	939,261	7.5
06/30/17	71,530	71,530	-	953,739	7.5
06/30/16	67,507	67,507	-	900,093	7.5
06/30/15	51,424	51,424	-	685,653	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Required Supplementary Information  
For the Year Ended June 30, 2021

**Notes to the Required Supplementary Information - PERA**

Changes in Actuarial Assumptions

2020 - 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.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Required Supplementary Information  
For the Year Ended June 30, 2021

**Notes to the Required Supplementary Information – PERA (Continued)**

Changes in Plan Provisions

2020 - 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 - 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 - 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 - 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 – None

2015 - 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 increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Schedule of Changes in the Cooperative's Net OPEB Liability and Related Ratios**

	2021	2020	2019
Total OPEB Liability			
Service Cost	\$ 13,973	\$ 13,566	\$ 11,013
Interest	2,282	2,604	2,351
Assumption changes	-	(3,581)	-
Differences between expected and actual experience	-	(13,628)	-
Benefit payments	(541)	(4,096)	(12,768)
Net Change in total OPEB Liability	15,714	(5,135)	596
Total OPEB liability - beginning	59,924	65,059	64,463
Total Opeb Liability - Ending	<u>\$ 75,638</u>	<u>\$ 59,924</u>	<u>\$ 65,059</u>
Covered - employee payroll	\$ 2,400,170	\$ 2,330,262	\$ 1,699,902
Cooperative's net OPEB liability (asset) as a percentage of covered employee payroll	3%	3%	4%

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

Changes in Actuarial Assumptions

2020 - None

2019 - 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-2016 Generational Improvement Scale 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%

2018 - None

2017 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with the MP-2016 Generational Improvement Scale. The discount rate was changed from 3.5% to 3.4%.

Changes in Method

2020 - None

2019 - None

2018 - None

2017 - The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

COMBINING AND INDIVIDUAL FUND  
SCHEDULES AND TABLE

SOUTHEAST SERVICE COOPERATIVE  
INDEPENDENT SCHOOL DISTRICT NO. 921  
ROCHESTER, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

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Southeast Service Cooperative  
Independent School District No. 921

Rochester, Minnesota

Combining Schedule of Revenues, Expenses and Changes in Net Position

Risk Management Cost Centers

For the Year Ended June 30, 2021

	09-200 Health Insurance - Mid-Year Pool	09-220 Health Insurance - January 1 Pool	09-201 Health Insurance - Operating	Total
Operating Revenues				
Insurance premiums	\$ 17,803,833	\$ 48,455,475	\$ -	\$ 66,259,308
Administrative fees	-	-	2,373,905	2,373,905
Total Operating Revenues	<u>17,803,833</u>	<u>48,455,475</u>	<u>2,373,905</u>	<u>68,633,213</u>
Operating Expenses				
Salaries	-	-	55,395	55,395
Employee benefits	-	-	21,908	21,908
Contracted services	435,712	247,709	471,188	1,154,609
Communication	-	-	919	919
Occupancy	-	-	3,191	3,191
Travel	-	-	2,262	2,262
Printing	-	-	8	8
Administration	-	-	732,439	732,439
Insurance premiums and administrative fees	2,846,568	7,825,582	-	10,672,150
Insurance claims	15,365,118	40,383,747	-	55,748,865
Total Operating Expenses	<u>18,647,398</u>	<u>48,457,038</u>	<u>1,287,310</u>	<u>68,391,746</u>
Operating Income (Loss)	(843,565)	(1,563)	1,086,595	241,467
Nonoperating Revenues				
Interest income (loss)	<u>(4,453)</u>	<u>53,427</u>	<u>4,881</u>	<u>53,855</u>
Income (Loss) Before Transfers	(848,018)	51,864	1,091,476	295,322
Transfers Out	<u>-</u>	<u>-</u>	<u>(1,089,443)</u>	<u>(1,089,443)</u>
Change in Net Position	<u>\$ (848,018)</u>	<u>\$ 51,864</u>	<u>\$ 2,033</u>	<u>\$ (794,121)</u>

**Southeast Service Cooperative**  
**Independent School District No. 921**  
 Rochester, Minnesota  
 Combining Schedule of Revenues, Expenses and Changes in Net Position  
 Member Services Cost Centers (Continued on the Following Pages)  
 For the Year Ended June 30, 2021

	<b>01-105</b>	<b>01-106/107</b>	<b>01-109</b>	<b>01-210</b>	<b>01-217</b>
	<b>General</b>	<b>Covid</b>	<b>Wood Lake</b>	<b>Benefit</b>	<b>Regional</b>
	<b>Administrative</b>	<b>Response Team</b>	<b>Meeting Center</b>	<b>Services</b>	<b>Center of Excellence</b>
Operating Revenues					
Fees from patrons	\$ 112,295	\$ -	\$ 12,822	\$ -	\$ -
Grants					
Local	-	-	-	-	-
State	-	-	-	-	-
Federal	-	111,111	-	-	2,006,512
Sales and other conversion of assets	-	-	-	-	-
Administrative fees	-	-	-	30,601	-
Total Operating Revenues	<u>112,295</u>	<u>111,111</u>	<u>12,822</u>	<u>30,601</u>	<u>2,006,512</u>
Operating Expenses					
Salaries	414,979	72,319	23,789	466	1,338,724
Employee benefits	98,268	38,792	8,670	291	462,189
Contracted services	257,042	-	569	15,657	156
Supplies	2,421	-	649	-	2,006
Equipment	154,779	-	-	-	9,202
Communication	7,282	-	2,533	4	17,045
Occupancy	23,611	-	45,610	16	9,089
Travel	50,223	-	-	-	17,766
Printing	2,736	-	197	-	3,483
Other	5,735	-	-	-	-
Administration	(949,823)	-	2,267	207	146,852
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>67,253</u>	<u>111,111</u>	<u>84,284</u>	<u>16,641</u>	<u>2,006,512</u>
Operating Income (Loss)	<u>45,042</u>	<u>-</u>	<u>(71,462)</u>	<u>13,960</u>	<u>-</u>
Nonoperating Revenues (Expenses)					
Interest income	5,510	-	-	-	-
Gain on disposal of capital assets	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>5,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (Loss) Before Transfers	50,552	-	(71,462)	13,960	-
Transfers in	<u>1,089,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ 1,139,995</u>	<u>\$ -</u>	<u>\$ (71,462)</u>	<u>\$ 13,960</u>	<u>\$ -</u>

<b>01-219</b> Regional Center Center of Excellence-State	<b>01-308</b> Rural CTE State Grant	<b>01-501</b> SHIP Grant	<b>01-579</b> Mobile Science Lab	<b>01-600</b> Facilities Management	<b>01-603</b> WorkForce Development	<b>01-609</b> Coop Purchasing	<b>01-612</b> STEM Forward
\$ -	\$ -	\$ -	\$ 2,550	\$ 97,749	\$ 68,160	\$ -	\$ 57,188
-	-	-	35,000	-	25,070	-	8,625
159,143	976,162	5,428	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	5,930	170,605	-
-	-	-	-	-	-	-	-
<u>159,143</u>	<u>976,162</u>	<u>5,428</u>	<u>37,550</u>	<u>97,749</u>	<u>99,160</u>	<u>170,605</u>	<u>65,813</u>
95,657	314,184	3,401	1,241	2,959	68,245	842	42,358
33,706	111,151	2,042	532	2,358	41,608	217	17,275
-	498,424	-	-	21,359	2,300	-	3,654
-	1,039	-	406	-	-	-	-
-	620	-	-	-	-	-	-
1,787	13,194	209	441	998	2,007	4	1,017
-	-	-	5,353	13,275	-	4	655
16,205	1,813	-	55	-	595	-	-
-	18	-	50	-	45	-	-
-	-	-	-	-	-	-	-
11,788	35,719	91	256	834	1,553	12	935
-	-	-	-	-	-	-	-
<u>159,143</u>	<u>976,162</u>	<u>5,743</u>	<u>8,334</u>	<u>41,783</u>	<u>116,353</u>	<u>1,079</u>	<u>65,894</u>
-	-	(315)	29,216	55,966	(17,193)	169,526	(81)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(315)	29,216	55,966	(17,193)	169,526	(81)
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (315)</u>	<u>\$ 29,216</u>	<u>\$ 55,966</u>	<u>\$ (17,193)</u>	<u>\$ 169,526</u>	<u>\$ (81)</u>

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**Southeast Service Cooperative**  
**Independent School District No. 921**  
 Rochester, Minnesota  
 Combining Schedule of Revenues, Expenses and Changes in Net Position  
 Member Services Cost Centers (Continued)  
 For the Year Ended June 30, 2021

	<b>01-614</b> Professional Development	<b>01-615</b> Student Academics	<b>01-701</b> SE Minnesota Together	Adjustment to Accrual	Total
<b>Operating Revenues</b>					
Fees from patrons	\$ 48,656	\$ 28,526	\$ -	\$ -	\$ 427,946
Grants					
Local	-	3,000	10,000	-	81,695
State	-	-	-	-	1,140,733
Federal	-	-	-	-	2,117,623
Sales and other conversion of assets	-	-	-	-	176,535
Administrative fees	-	-	-	-	30,601
<b>Total Operating Revenues</b>	<b>48,656</b>	<b>31,526</b>	<b>10,000</b>	<b>-</b>	<b>3,975,133</b>
<b>Operating Expenses</b>					
Salaries	61,301	55,869	6,249	-	2,502,583
Employee benefits	33,719	30,912	2,620	150,775	1,035,125
Contracted services	33,957	1,785	1,500	-	836,403
Supplies	118	42	58	-	6,739
Equipment	-	-	-	(31,448)	133,153
Communication	1,640	753	21	-	48,935
Occupancy	1,969	2,304	-	-	101,886
Travel	3,539	1,330	23	-	91,549
Printing	46	132	-	-	6,707
Other	-	-	-	-	5,735
Administration	1,615	1,261	800	-	(745,633)
Depreciation	-	-	-	157,352	157,352
<b>Total Operating Expenses</b>	<b>137,904</b>	<b>94,388</b>	<b>11,271</b>	<b>276,679</b>	<b>4,180,534</b>
<b>Operating Income (Loss)</b>	<b>(89,248)</b>	<b>(62,862)</b>	<b>(1,271)</b>	<b>(276,679)</b>	<b>(205,401)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	-	-	-	-	5,510
Gain on disposal of capital assets	-	-	-	(2,313)	(2,313)
<b>Total Nonoperating Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,313)</b>	<b>3,197</b>
<b>(Expenses)</b>					
<b>Income (Loss) Before Transfers</b>	<b>(89,248)</b>	<b>(62,862)</b>	<b>(1,271)</b>	<b>(278,992)</b>	<b>(202,204)</b>
<b>Transfers in</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,089,443</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (89,248)</b>	<b>\$ (62,862)</b>	<b>\$ (1,271)</b>	<b>\$ (278,992)</b>	<b>\$ 887,239</b>



# Fiscal Compliance

## Fiscal Compliance Report - 6/30/2021

District: REGION 10 - SOUTHEAST EC (921-83)

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	Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>			
Total Revenue	\$3,980,643	<u>\$3,980,647</u>	(\$4)
Total Expenditures	\$4,033,223	<u>\$4,033,228</u>	(\$5)
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$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>
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$7,494,518	<u>\$7,494,519</u>	(\$1)

### 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			

### 06 BUILDING CONSTRUCTION

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>			
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$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>

### 07 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 / Reserved:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$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>

### 08 TRUST

Total Revenue	\$631,799	<u>\$631,799</u>	<u>\$0</u>
Total Expenditures	\$605,444	<u>\$605,444</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$118,666	<u>\$118,666</u>	<u>\$0</u>

### 18 CUSTODIAL

Total Revenue	\$22,244	<u>\$22,243</u>	<u>\$1</u>
Total Expenditures	\$17,250	<u>\$17,250</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$4,994	<u>\$4,994</u>	<u>\$0</u>

### 20 INTERNAL SERVICE

Total Revenue	\$68,687,068	<u>\$68,687,067</u>	<u>\$1</u>
Total Expenditures	\$68,393,778	<u>\$68,393,778</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$16,391,740	<u>\$16,391,740</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>
4.74 EIDL Loan	\$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>
<b>04 COMMUNITY SERVICE</b>			
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>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$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>

	\$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>

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SINGLE AUDIT AND OTHER  
REQUIRED REPORTS

SOUTHEAST SERVICE COOPERATIVE  
ROCHESTER, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors  
Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major enterprise fund of the Southeast Service Cooperative, Rochester, Minnesota, (the Cooperative) as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the Coop failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions 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 the Coop'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.



**Abdo**  
Mankato, Minnesota  
November 15, 2021

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major enterprise fund of the Southeast Service Cooperative, Rochester, Minnesota, (the Cooperative), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated November 15, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and

therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance And Other Matters

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

## Purpose of this Report

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



**Abdo**  
Mankato, Minnesota  
November 15, 2021



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Southeast Service Cooperative  
Rochester, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Southeast Service Cooperative, Rochester, Minnesota's (the Cooperative) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended June 30, 2021. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Cooperative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cooperative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Cooperative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report On Internal Control Over Compliance

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

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

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

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.



**Abdo**  
Mankato, Minnesota  
November 15, 2021



Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

Federal Awarding Agency	Pass - through Entity	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Education	Minnesota Department of Education	Title 1 Grants to Local Educational Agencies (Part A)	84.010	S010A190023	\$ 2,006,512
U.S. Department of Education	Minnesota Department of Education	COVID-19 Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425C		<u>111,111</u>
				Total Expended	<u><u>\$ 2,117,623</u></u>

Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Southeast Service Cooperative, Rochester, Minnesota (the Cooperative). The Cooperative's reporting entity is defined in Note 1A to the Cooperative's financial statements. The information in this schedule 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). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

**Note 2: Summary of Significant Accounting Policies for Expenditures**

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Pass-through Entity Identifying Numbers**

Pass-through entity identifying numbers, if any, are presented where available.

**Note 4: Subrecipients**

No federal expenditures presented in this schedule were provided to subrecipients.

**Note 5: Indirect Cost Rate**

During the year ended June 30, 2021, the Cooperative did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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Southeast Service Cooperative  
Independent School District No. 921  
Rochester, Minnesota  
Schedule of Findings, Responses and Questioned Costs  
For the Year Ended June 30, 2021

**Section I - Summary of Auditor's Results**

***Financial Statements***

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

***Federal Awards***

Internal control over major programs	
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 2CFR section 200.516(a)?	No

***Identification of Major Programs/Projects***

	<u><b>CFDA No.</b></u>
Title I Grants to Local Education Agencies (Part A)	84.010
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

None

**Section III - Major Federal Award Findings and Questioned Costs**

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Uniform Guidance.