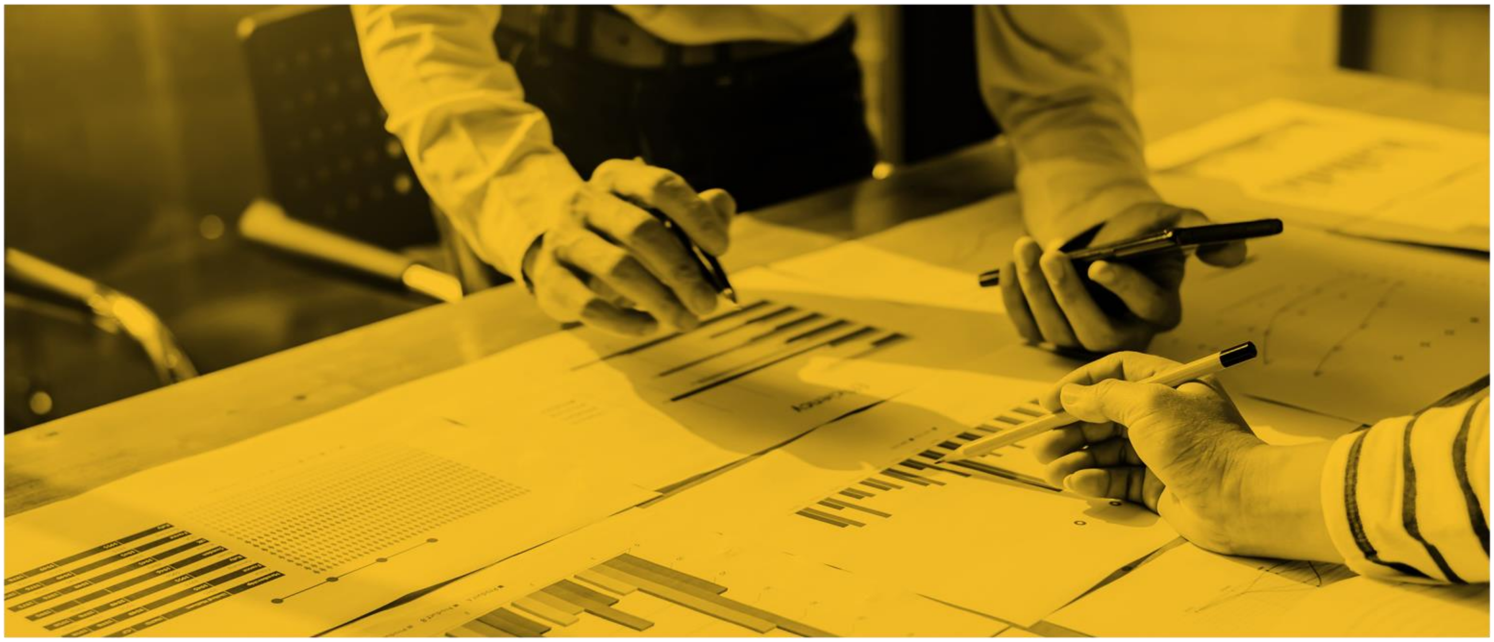

Annual Financial Report

Southwest and West Central Service Cooperative

Marshall, Minnesota

For the year ended June 30, 2023

Abdo
Lighting the path forward

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Edina, MN 55436
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Southwest and West Central Service Cooperative
Marshall, Minnesota
Annual Financial Report
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For the Year Ended June 30, 2023

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INTRODUCTORY SECTION

SOUTHWEST AND WEST CENTRAL SERVICE COOPERATIVE
MARSHALL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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Southwest and West Central Service Cooperative
Marshall, Minnesota
Board of Directors
For the Year Ended June 30, 2023

BOARD OF DIRECTORS

Name	Term on Board Expires	Positions
Matt Coleman	12/31/23	Chairperson
Michael Zins	12/31/23	Vice Chair
Don Brugman	12/31/23	Clerk
Tom Walsh	12/31/23	Treasurer
Jody Bauer	12/31/25	Member
Steve Schnieder	12/31/25	Member
Nicole Swanson	12/31/23	Member

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FINANCIAL SECTION

SOUTHWEST AND WEST CENTRAL SERVICE COOPERATIVE
MARSHALL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwest and West Central Service Cooperative
Marshall, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Southwest and West Central Service Cooperative (the Cooperative), Marshall, Minnesota as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Cooperative as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Shares of the Net Pension Liability, the Schedules of Employer's Contributions, the Schedule of Changes in the Cooperative's Net OPEB Liability and Related Ratios and the related note disclosures, starting on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cooperative's basic financial statements, accompanying combining schedule, table and schedule of expenditures of federal awards 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining schedule, table and schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, 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.

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Mankato, Minnesota
December 19, 2023

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Management's Discussion and Analysis

As management of the Southwest and West Central Service Cooperative (the Cooperative), we offer readers of the Cooperative's financial statements this narrative overview and analysis of the financial activities of the Cooperative for the fiscal year ended June 30, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the Cooperative exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the following tables (*net position*). Of this amount, $28,712,610 (*restricted net position*) is restricted for insurance purposes of the members of the Cooperative's insurance pools and $7,234,259 is invested in capital assets. The remaining deficit is due primarily to recognizing pension liabilities under GASB 68.

- The Cooperative's total net position decreased by $4,839,179. The majority of this decrease is due to the decrease in the net position of the business-type activities. These insurance pools are reported as Cooperative net position, however they are held in reserves for insurance purposes for the members of the pools.

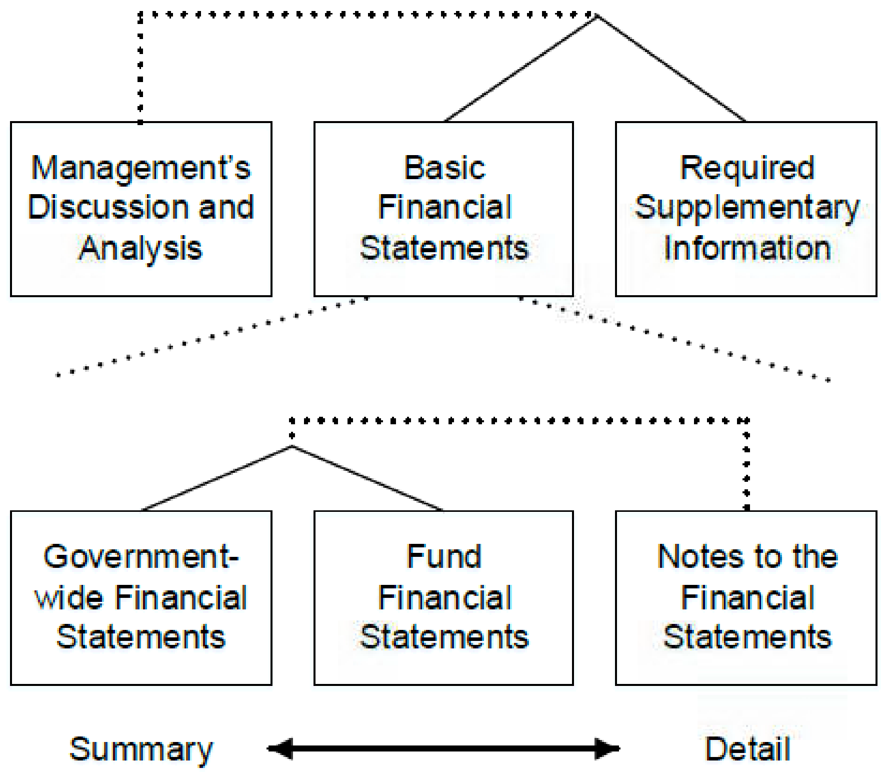
- As of the close of the current fiscal year, the Cooperative's governmental funds reported combined ending fund balances of $12,621,786, an increase of $611,778 in comparison with the prior year. The increase is primarily due to an increase is revenues from state and local resources. The majority of this total amount constitutes unassigned fund balance, which is available for spending at the Cooperative's discretion. There are amounts assigned for specific purposes totaling $269,856, and the remainder of fund balance is not available for new spending because it is non-spendable.

- At the end of the current fiscal year, unassigned fund balance for the General fund was $11,978,615 or 24.1 percent of total General fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Cooperative's basic financial statements. The Cooperative's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Southwest and West Central Service Cooperative's Annual Financial Report



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

Figure 2
Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements		
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire Cooperative (except fiduciary funds)	The activities of the Cooperative that are not fiduciary, such as special education and building maintenance	Activities the Cooperative operates similar to private businesses, such as insurance activities	Instances in which the Cooperative administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balance	• Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and measuremen t focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Cooperative's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Cooperative's assets, liabilities, deferred outflows of resources and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Cooperative is improving or deteriorating.

The *statement of activities* presents information showing how the Cooperative's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Cooperative that are principally supported by both intergovernmental revenue and member fees (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Cooperative include grant and educational activities. The business-type activities of the Cooperative include insurance services provided to various other governmental units (school pool and cities, counties and other governments pool [the CCOGA]).

The government-wide financial statements can be found starting on page 31 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Cooperative, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Cooperative can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Cooperative's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the Cooperative's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Cooperative maintains one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, which is considered to be a major fund.

The Cooperative adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 36 of this report.

Proprietary Funds. The Cooperative maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Cooperative uses enterprise funds to account for its insurance services provided to various other governmental units (school pool and cities, counties and other governments pool [the CCOGA].

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the Cooperative.

The basic proprietary fund financial statements can be found starting on page 41 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 45 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Cooperative's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 76 of this report

Other Information. Combining financial schedule and table can be found starting on page 87 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Cooperative, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources as shown below.

A portion of the Cooperative's net position are *unrestricted net position*. These funds are to be used to meet the Cooperative's ongoing obligations to its members and for the Cooperative's funded programs and activities. An additional portion of the Cooperative's net position represents resources that are restricted for insurance purposes of the Cooperative's insurance pools. The remaining portion of the Cooperative's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The Cooperative uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

Southwest and West Central Service Cooperative's Net Position

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Assets						
Current and other assets	$ 19,968,260	$ 17,976,632	$ 1,991,628	$ 36,549,138	$ 41,832,685	$ (5,283,547)
Capital assets	12,836,782	13,519,509	(682,727)	18,436	22,242	(3,806)
Total Assets	32,805,042	31,496,141	1,308,901	36,567,574	41,854,927	(5,287,353)
Deferred Outflows of Resources	8,313,851	10,306,282	(1,992,431)	647,824	699,198	(51,374)
Liabilities						
Noncurrent liabilities outstanding	31,507,937	20,162,586	11,345,351	1,361,875	858,747	503,128
Other liabilities	7,346,474	5,966,624	1,379,850	6,388,714	4,405,161	1,983,553
Total Liabilities	38,854,411	26,129,210	12,725,201	7,750,589	5,263,908	2,486,681
Deferred Inflows of Resources	3,646,613	19,628,485	(15,981,872)	324,058	737,146	(413,088)
Net Position						
Net investment in capital assets	7,215,823	7,484,062	(268,239)	18,436	22,242	(3,806)
Restricted	-	-	-	28,712,610	25,167,640	3,544,970
Unrestricted	(8,597,954)	(11,439,334)	2,841,380	409,705	11,363,189	(10,953,484)
Total Net Position	$ (1,382,131)	$ (3,955,272)	$ 2,573,141	$ 29,140,751	$ 36,553,071	$ (7,412,320)
Net Position as a Percent of Total						
Net investment in capital assets	522.0%	189.0%		0.0%	0.0%	
Restricted	0.0%	0.0%		99.0%	69.0%	
Unrestricted	-622.0%	-289.0%		1.0%	31.0%	
	-100.0%	-100.0%		100.0%	100.0%	

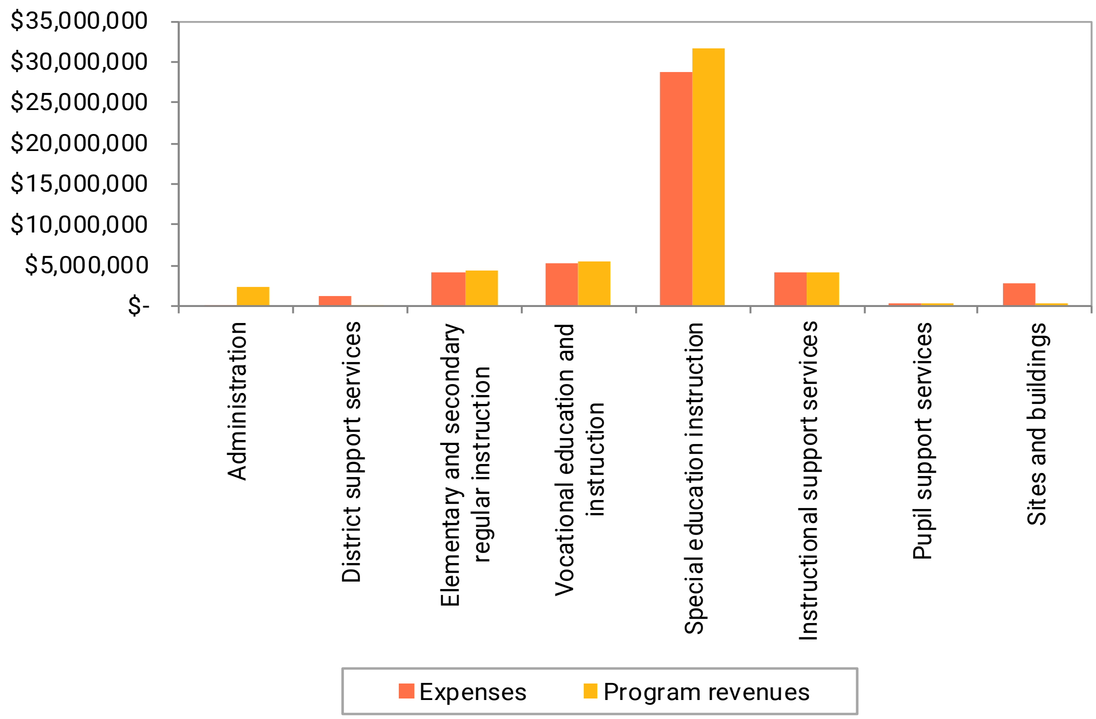
Governmental Activities. Governmental activities increased the Cooperative's net position as shown below. Key elements of this increase are as follows:

Southwest and West Central Service Cooperative's Changes in Net Position

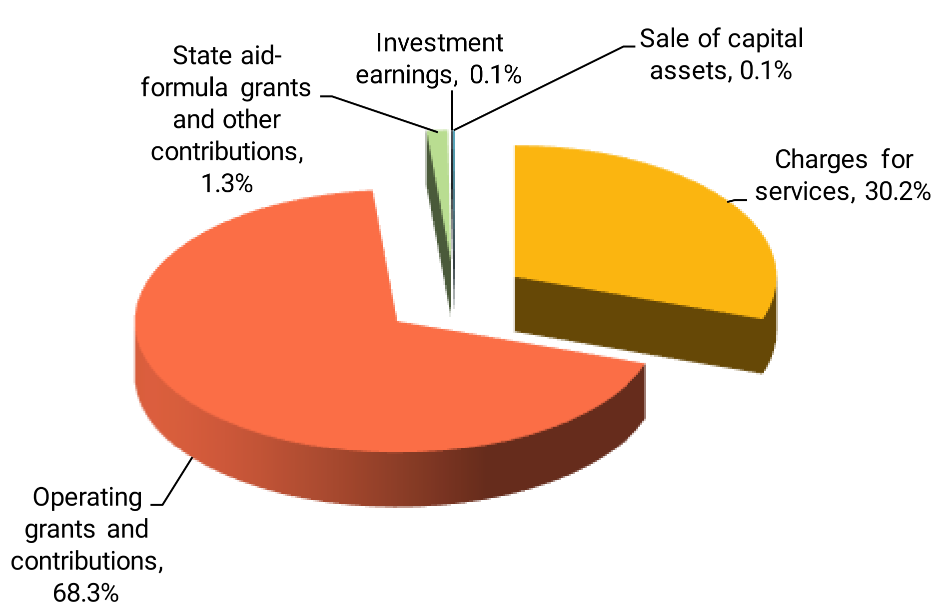
	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	$ 15,044,302	$ 12,180,777	$ 2,863,525	$ 76,290,007	$ 71,205,981	$ 5,084,026
Operating grants and contributions	34,134,125	29,052,077	5,082,048	-	-	-
General revenues						
Investment earnings (losses)	41,164	(385,638)	426,802	263,850	(1,367,838)	1,631,688
Gain on sale of capital assets	25,757	41,295	25,757	-	-	41,295
State aid-formula grants and other contributions	632,837	486,302	632,837	-	-	486,302
Total revenues	49,878,185	41,374,813	9,030,969	76,553,857	69,838,143	7,243,311
Expenses						
Administration	202,309	345,624	(143,315)	-	-	-
District support services	1,210,286	673,255	537,031	-	-	-
Elementary and secondary regular instruction	4,145,910	2,360,719	1,785,191	-	-	-
Vocational education instruction	5,327,723	5,199,601	128,122	-	-	-
Special education instruction	28,856,728	26,610,854	2,245,874	-	-	-
Instructional support services	4,203,711	3,625,203	578,508	-	-	-
Pupil support services	364,300	56,443	307,857	-	-	-
Sites and buildings	2,863,608	2,044,325	819,283	-	-	-
Fiscal and other fixed costs programs	130,469	92,418	-	-	-	-
Insurance Pool	-	-	-	82,457,517	73,208,429	9,249,088
ESV Region IV	-	-	-	1,553,660	1,302,068	251,592
Total Expenses	47,305,044	41,008,442	6,258,551	84,011,177	74,510,497	9,500,680
Increase (Decrease) in Net Assets before Transfers	2,573,141	366,371	2,206,770	(7,457,320)	(4,672,354)	(2,784,966)
Transfers	-	-	-	45,000	-	45,000
Change in Net Position	2,573,141	366,371	2,206,770	(7,412,320)	(4,672,354)	(2,739,966)
Net Position, July 1	(3,955,272)	(4,303,693)	348,421	36,553,071	39,746,860	(3,193,789)
Prior Period Adjustment	-	(17,950)	17,950	-	1,478,565	(1,478,565)
Net Position, June 30	$ (1,382,131)	$ (3,955,272)	$ 2,573,141	$ 29,140,751	$ 36,553,071	$ (7,412,320)

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



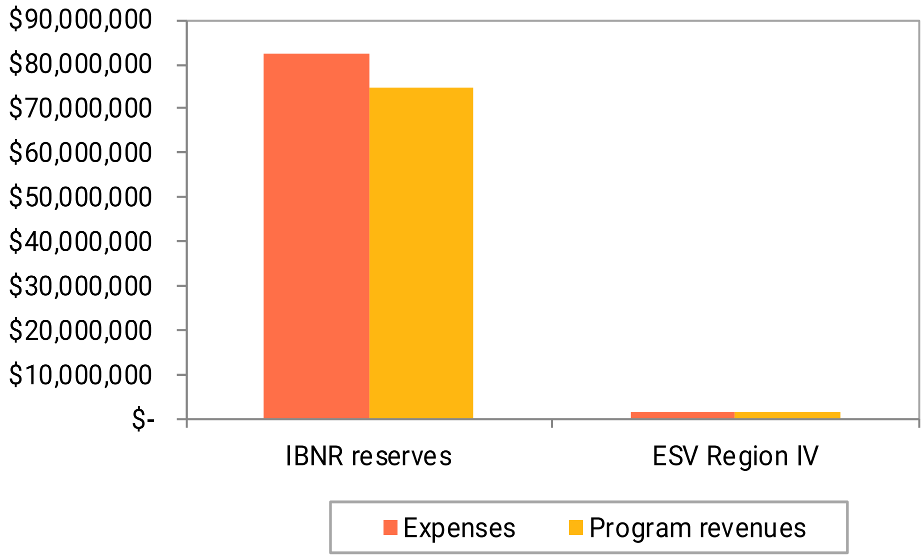
Revenues by Source - Governmental Activities



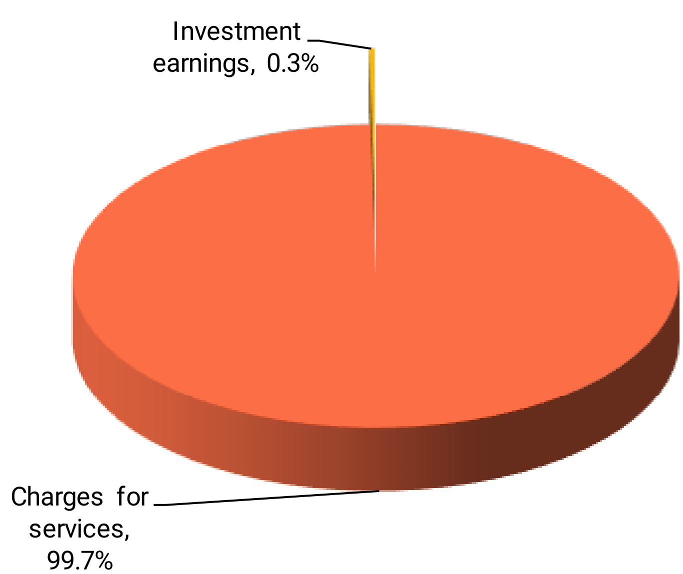
Business-type Activities. Business-type activities decreased the Cooperative's net position as shown in previous tables. Key elements of this decrease are as follows:

- The Insurance Pool enterprise fund accounted for $7,337,531 of the decrease in net position.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Cooperative's Funds

As noted earlier, the Cooperative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Cooperative's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Cooperative's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Cooperative's governmental funds reported combined ending fund balances of $12,621,786, an increase of $611,778 in comparison with the prior year. The majority of this increase is due to an increase in revenues from state and local sources related to grants available to the Cooperative.

The *General fund* is the chief operating fund of the Cooperative. Unreserved fund balance of the General fund was $11,978,615, assigned fund balance was $269,856, and nonspendable fund balance was $373,315. As a measure of the General fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 24.1 percent of total General fund expenditures.

Proprietary funds. The Cooperative's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position for the enterprise funds at the end of the year amounted to $29,140,751. Of this amount, $28,712,610 was restricted for insurance purposes. The total decrease in net position for the funds was $7,412,320. Other factors concerning the finances of this fund have already been addressed in the discussion of the Cooperative's business-type activities.

General Fund Budgetary Highlights

Differences from the original adopted revenue budget of $49,870,662 to the revised revenue budget of $48,254,962 are attributed to the following factors:

- Additional American Rescue Plan funds
    - EANS Grant
    - GEER II MN Service Cooperative Grant
    - MDH COVID Grant
    - Minnesota COVID-19 Test Grant
    - Special Education Federal Funds

Differences from the original adopted expenditure budget of $50,052,145 to the revised expenditure budget of $48,809,205 are attributed to the following factors:

- Additional American Rescue Plan funds
    - EANS Grant
    - GEER II MN Service Cooperative Grant
    - MDH COVID Grant
    - Minnesota COVID-19 Test Grant
    - Special Education Federal Funds

Capital Asset and Debt Administration

Capital assets. The Cooperative's investment in capital assets (net of accumulated depreciation) for its governmental activities as of June 30, 2023, are shown below. This investment in capital assets includes land, construction in progress, buildings improvements, equipment and leased assets. The total change in the Cooperative's investment in capital assets for the current fiscal is shown below. The decrease was due to regular depreciation. The following is a schedule of capital assets as of June 30, 2023.

Southwest and West Central Service Cooperative's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Land	$ 226,101	$ -	$ 226,101	$ -	$ -	$ -
Construction in progress	945,509	890,030	55,479	-	-	-
Building improvements	5,918,569	5,731,806	186,763	18,436	22,242	(3,806)
Equipment	1,059,463	1,329,284	(269,821)	-	-	-
Lease asset	4,687,140	5,568,389	(881,249)	-	-	-
Total	$ 12,836,782	$ 13,519,509	$ (682,727)	$ 18,436	$ 22,242	$ (3,806)
Percent increase (decrease)			-5.0%			-17.1%

Additional information on the Cooperative's capital assets can be found in Note 3B on page 56 of this report.

Long-term debt. At the end of the current fiscal year, the Cooperative's total long-term debt outstanding is shown below. Decreases were due to scheduled lease payments.

	Governmental Activities		
	Activities		
	2023	2022	Increase (Decrease)
Lease payable	$ 5,620,959	$ 6,035,447	$ (414,488)
Percent increase (decrease)			-6.9%

Additional information on the Cooperative's long-term debt can be found in Note 3C on page 58 of this report.

Factors Bearing on the Cooperative's Future

The financial health in the future of the Southwest and West Central Service Cooperative depends upon receipts of revenue from Federal, State, and member districts for programs and services. The revenue is therefore tenuous because of factors impacting those member districts.

Requests for Information

This financial report is designed to provide the Cooperative's membership and creditors with a general overview of the Cooperative's finances and to demonstrate the Cooperative's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be in written form and addressed to the Southwest and West Central Service Cooperative, 1420 E College Drive, Marshall, Minnesota 56258.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

SOUTHWEST AND WEST CENTRAL SERVICE COOPERATIVE
MARSHALL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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Southwest and West Central Service Cooperative

Marshall, Minnesota

Statement of Net Position

June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and temporary investments	$ 5,073,152	$ 25,035,790	$ 30,108,942
Cash held with fiscal agent	-	6,361,326	6,361,326
Receivables			
Interest	97,510	-	97,510
Accounts	2,218,712	812,400	3,031,112
Due from Other Districts	2,428,385	69,030	2,497,415
Due from State Department of Education	3,768,729	-	3,768,729
Due from Federal Department of Education	5,985,132	-	5,985,132
Due from other governmental units	23,325	-	23,325
Rate stabilization reserve	-	4,269,351	4,269,351
Prepaid items	373,315	1,241	374,556
Capital assets not being depreciated/amortized	1,171,610	-	1,171,610
Capital assets (net of accumulated depreciation/amortization)	11,665,172	18,436	11,683,608
Total Assets	32,805,042	36,567,574	69,372,616
Deferred Outflows of Resources			
Deferred pension resources	8,223,549	647,824	8,871,373
Deferred other postemployment benefits	90,302	-	90,302
Total Deferred Inflows of Resources	8,313,851	647,824	8,961,675
Liabilities			
Accounts and other payables	521,339	11,512	532,851
Salaries Payable	1,228,465	15,876	1,244,341
Payroll Deductions	1,695,088	-	1,695,088
Due to other districts	3,484,854	-	3,484,854
Due to other governments	77,312	-	77,312
Health claims payable - IBNR	-	6,361,326	6,361,326
Unearned revenue	339,416	-	339,416
Noncurrent liabilities			
Due within one year			
Compensated absences payable	163,906	24,377	188,283
Lease payable	689,119	-	689,119
Due in more than one year			
Lease payable	4,931,840	-	4,931,840
Net pension liability	24,620,832	1,337,498	25,958,330
Other postemployment benefits payable	1,102,240	-	1,102,240
Total Liabilities	38,854,411	7,750,589	46,605,000
Deferred Inflows of Resources			
Deferred pension resources	3,338,354	324,058	3,662,412
Deferred other postemployment benefits	308,259	-	308,259
Total Deferred Inflows of Resources	3,646,613	324,058	3,970,671
Net Position			
Net investment in capital assets	7,215,823	18,436	7,234,259
Restricted for insurance purposes	-	28,712,610	28,712,610
Unrestricted	(8,597,954)	409,705	(8,188,249)
Total Net Position	$ (1,382,131)	$ 29,140,751	$ 27,758,620

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

Southwest and West Central Service Cooperative
Marshall, Minnesota
Statement of Activities
For the Year Ended June 30, 2023

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Administration	$ 202,309	$ 2,209,038	$ 231,643	$ -
District support services	1,210,286	111,152	18,346	-
Elementary and secondary regular instruction	4,145,910	1,530,010	2,927,368	-
Vocational education instruction	5,327,723	17,717	5,411,118	-
Special education instruction	28,856,728	9,383,596	22,424,416	-
Instructional support services	4,203,711	1,530,162	2,697,733	-
Pupil support services	364,300	345	327,829	-
Sites and buildings	2,863,608	262,282	95,672	-
Fiscal and other fixed cost programs	130,469	-	-	
Total Governmental Activities	47,305,044	15,044,302	34,134,125	-
Business-Type Activities				
Insurance Pool	82,457,517	74,856,136	-	-
ESV Region IV	1,553,660	1,433,871	-	-
Total Business-Type Activities	84,011,177	76,290,007	-	-
Total Primary Government	$ 131,316,221	$ 91,334,309	$ 34,134,125	$ -

General Revenues
Investment earnings
Gain on sale of capital assets
State aid-formula grants and other contributions
Other revenue
Total General Revenues

Change in Net Position

Net Position, July 1

Net Position, June 30

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

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
$ 2,238,372	$ -	$ 2,238,372
(1,080,788)	-	(1,080,788)
311,468	-	311,468
101,112	-	101,112
2,951,284	-	2,951,284
24,184	-	24,184
(36,126)	-	(36,126)
(2,505,654)	-	(2,505,654)
(130,469)	-	(130,469)
1,873,383	-	1,873,383
	$ (7,601,381)	(7,601,381)
	(119,789)	(119,789)
	(7,721,170)	(7,721,170)
41,164	263,850	305,014
25,757	-	25,757
632,837	-	632,837
-	45,000	45,000
699,758	308,850	1,008,608
2,573,141	(7,412,320)	(4,839,179)
(3,955,272)	36,553,071	32,597,799
$ (1,382,131)	$ 29,140,751	$ 27,758,620

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

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FUND FINANCIAL STATEMENTS

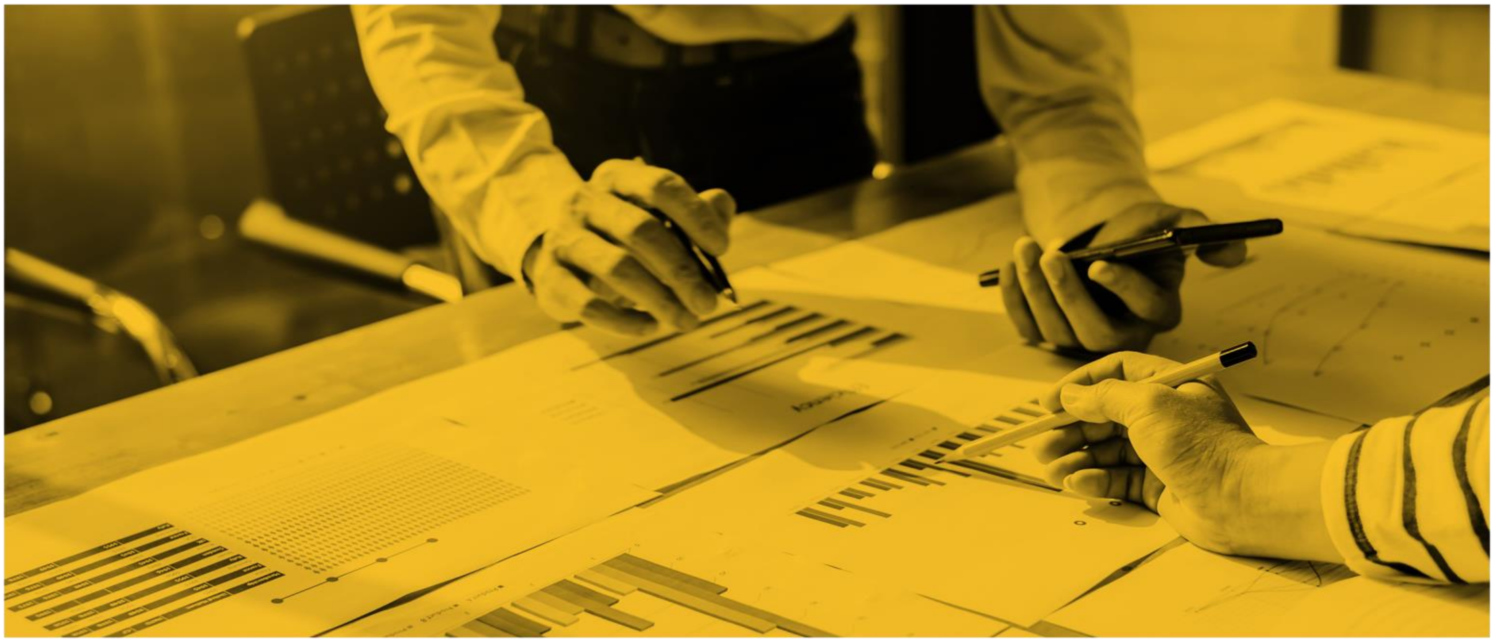
SOUTHWEST AND WEST CENTRAL SERVICE COOPERATIVE
MARSHALL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Southwest and West Central Service Cooperative
Marshall, Minnesota
Balance Sheet
Governmental Funds
June 30, 2023

	General
Assets	
Cash and investments	$ 5,073,152
Receivables	
Interest	97,510
Accounts	2,218,712
Due from Other Districts	2,428,385
Due from State Department of Education	3,768,729
Due from Federal Department of Education	5,985,132
Intergovernmental	23,325
Prepaid items	373,315
Total Assets	$ 19,968,260
Liabilities and Fund Balances	
Liabilities	
Accounts payable and other payables	$ 521,339
Salaries Payable	1,228,465
Payroll Deductions	1,695,088
Due to other districts	3,484,854
Due to other governments	77,312
Unearned revenue	339,416
Total Liabilities	7,346,474
Fund Balances	
Nonspendable	373,315
Assigned	269,856
Unassigned	11,978,615
Total Fund Balances	12,621,786
Total Liabilities and Fund Balance	$ 19,968,260

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



Annual Financial Report

Southwest and West Central Service Cooperative

Marshall, Minnesota

For the year ended June 30, 2023

Abdo
Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office
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Scottsdale, AZ 85260
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Southwest and West Central Service Cooperative

Marshall, Minnesota

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

	General
Revenues	
Other local revenues	$ 17,122,273
Interest earned on investments	41,164
Revenue from state sources	16,581,436
Revenue from federal sources	15,881,690
Sales and other conversion of assets	25,757
Total Revenues	49,652,320
Expenditures	
Current	
Administration	213,019
District support services	1,015,227
Elementary and secondary instruction	4,324,362
Vocational education	5,146,804
Special education instruction	30,449,815
Instructional support services	3,954,149
Pupil support	378,242
Sites and buildings	576,671
Capital outlay	
District support services	141,710
Elementary and secondary instruction	475,691
Vocational education	91,617
Special education instruction	1,109,530
Instructional support services	96,477
Sites and buildings	529,205
Debt service	
Principal	947,522
Interest	154,536
Total Expenditures	49,604,577
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,743
Other Financing Sources (Uses)	
Leases issued	557,101
Insurance recovery	6,934
Total Other Financing Sources (Uses)	564,035
Net Change in Fund Balances	611,778
Fund Balances, July 1	12,010,008
Fund Balances, June 30	$ 12,621,786

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

Southwest and West Central Service Cooperative
Marshall, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because

Net Changes in Fund Balances - Total Governmental Funds	$ 611,778
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation/amortization expense.	
Depreciation/amortization	(2,106,487)
Capital outlay	1,432,919
The statement of activities reports losses arising from sales or trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a sale or trade-in of capital assets.	
Book value on disposal of assets	(9,159)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.	
Principal repayments - leases	971,589
Leases issued	(557,101)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(11,530)
Other post employment benefits	(102,566)
Long-term pension activity is not reported in governmental funds.	
Pension expense	2,124,767
Pension revenue	218,931
Change in Net Position - Governmental Activities	$ 2,573,141

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

Southwest and West Central Service Cooperative
Marshall, Minnesota
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Other local revenues	$ 18,986,546	$ 17,050,663	$ 17,122,273	$ 71,610
Interest earned on investments	35,000	35,000	41,164	6,164
Revenue from state sources	16,712,285	15,895,284	16,581,436	686,152
Revenue from federal sources	14,106,831	15,249,015	15,881,690	632,675
Sales and conversion of assets	30,000	25,000	25,757	757
Total Revenues	49,870,662	48,254,962	49,652,320	1,397,358
Expenditures				
Current				
Administration	360,099	295,579	213,019	82,560
District support services	1,069,922	1,021,326	1,015,227	6,099
Elementary and secondary instruction	2,943,574	2,834,033	4,324,362	(1,490,329)
Vocational education instruction	4,816,102	5,831,612	5,146,804	684,808
Special education instruction	33,129,496	29,865,838	30,449,815	(583,977)
Instructional support services	5,224,778	5,378,735	3,954,149	1,424,586
Pupil Support	222,585	370,415	378,242	(7,827)
Sites and buildings	331,918	316,958	576,671	(259,713)
Capital outlay				
District support services	196,106	187,821	141,710	46,111
Elementary and secondary instruction	20,158	29,370	475,691	(446,321)
Vocational education instruction	40,000	85,210	91,617	(6,407)
Special education instruction	513,193	1,354,645	1,109,530	245,115
Instructional support services	84,800	104,049	96,477	7,572
Sites and buildings	-	-	529,205	(529,205)
Debt service				
Principal	1,012,414	1,046,614	947,522	99,092
Interest	87,000	87,000	154,536	(67,536)
Total Expenditures	50,052,145	48,809,205	49,604,577	(795,372)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(181,483)	(554,243)	47,743	601,986
Other Financing Sources (Uses)				
Leases issued	-	-	557,101	557,101
Insurance recovery	-	6,935	6,934	(1)
Total Other Financing Sources (Uses)	-	6,935	564,035	557,100
Net Change in Fund Balances	(181,483)	(547,308)	611,778	1,159,086
Fund Balances, July 1	12,010,008	12,010,008	12,010,008	-
Fund Balances, June 30	$ 11,828,525	$ 11,462,700	$ 12,621,786	$ 1,159,086

Southwest and West Central Service Cooperative
Marshall, Minnesota
Statement of Net Posiiton
Proprietary Funds
June 30, 2023

	Business-type Activities		
	Insurance Pool	ESV Region IV	Totals
Assets			
Cash and temporary investments	$ 24,084,171	$ 951,619	$ 25,035,790
Cash held with fiscal agent	6,361,326	-	6,361,326
Receivables			
Accounts	755,612	56,788	812,400
Due from Other Districts	-	69,030	69,030
Rate stabilization reserve	4,269,351	-	4,269,351
Prepaid items	1,241	-	1,241
Capital assets (net of accumulated depreciation)	-	18,436	18,436
Total Assets	35,471,701	1,095,873	36,567,574
Deferred Outflows of Resources			
Deferred pension resources	202,230	445,594	647,824
Liabilities			
Accounts and other payables	11,342	170	11,512
Salaries payable	3,125	12,751	15,876
Health claims payable - IBNR	6,361,326	-	6,361,326
Compensated absences payable - current	-	24,377	24,377
Net pension liability	416,248	921,250	1,337,498
Total Liabilities	6,792,041	958,548	7,750,589
Deferred Inflows of Resources			
Deferred pension resources	169,280	154,778	324,058
Net Position			
Investment in capital assets	-	18,436	18,436
Restricted for other purposes	28,712,610	-	28,712,610
Unrestricted		409,705	409,705
Total Net Position	$ 28,712,610	$ 428,141	$ 29,140,751

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

Southwest and West Central Service Cooperative
Marshall, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities		
	Insurance Pool	ESV Region IV	Totals
Operating Revenues			
Prescription drug credit	$ 3,238,731	$ -	$ 3,238,731
Excess reserves refund	11,393,740	-	11,393,740
Premium revenue	60,223,622	-	60,223,622
Service fees	-	1,400,576	1,400,576
Miscellaneous revenue	43	78,295	78,338
Total Operating Revenues	74,856,136	1,478,871	76,335,007
Operating Expenses			
Salaries	299,237	830,142	1,129,379
Fringe benefits	121,139	397,457	518,596
Travel	13,090	17,006	30,096
Telephone	1,117	2,006	3,123
Postage/delivery	62	367	429
Contracted services	-	215,943	215,943
Purchased services	1,688,160	-	1,688,160
Printing and supplies	1,319	3,271	4,590
Rents and leases	981	23,410	24,391
Indirect costs	-	55,215	55,215
Other expenses	253,066	5,379	258,445
Premium and claims expense	80,079,346	-	80,079,346
Depreciation	-	3,464	3,464
Total Operating Expenses	82,457,517	1,553,660	84,011,177
Operating Income (Loss)	(7,601,381)	(74,789)	(7,676,170)
Nonoperating Revenues (Expenses)			
Investment income (loss)	263,850	-	263,850
Change in Net Position	(7,337,531)	(74,789)	(7,412,320)
Net Position, July 1	36,050,141	502,930	36,553,071
Net Position, June 30	$ 28,712,610	$ 428,141	$ 29,140,751

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

Southwest and West Central Service Cooperative
Marshall, Minnesota
Statements of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds - Insurance Pool		
	Insurance Pool	ESV Region IV	Totals
Cash Flows from Operating Activities			
Cash received from members	$ 75,207,644	$ 1,506,215	$ 76,713,859
Cash payments to suppliers for goods and services	(1,949,687)	(322,438)	(2,272,125)
Cash payments on insurance claims and settlements	(78,117,858)	-	(78,117,858)
Cash payments to employees for services	(388,362)	(1,104,796)	(1,493,158)
Net Cash Provided (Used) by Operating Activities	(5,248,263)	78,981	(5,169,282)
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of equipment	-	342	342
Cash Flows from Investing Activities			
Interest received (paid) on investments	263,850	-	263,850
Net Increase (Decrease) in Cash And Cash Equivalents	(4,984,413)	79,323	(4,905,090)
Cash and Cash Equivalents, July 1	39,699,261	872,296	40,571,557
Cash and Cash Equivalents, June 30	$ 34,714,848	$ 951,619	$ 35,666,467
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and temporary investments	$ 24,084,171	$ 951,619	$ 25,035,790
Cash held with fiscal agent	6,361,326	-	6,361,326
Rate stabilization reserve	4,269,351	-	4,269,351
Total Cash and Cash Equivalents	$ 34,714,848	$ 951,619	$ 35,666,467
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ (7,601,381)	$ (74,789)	$ (7,676,170)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	-	3,464	3,464
(Increase) decrease in assets			
Accounts receivable	351,508	27,344	378,852
Prepaid items	(395)	-	(395)
(Increase) decrease in deferred outflow of resources			
Deferred pension resources	10,746	40,628	51,374
Increase (decrease) in liabilities			
Accounts and other payables	8,503	159	8,662
Salaries payable	2,516	10,887	13,403
Health claims payable - IBNR	1,961,488	-	1,961,488
Compensated absences payable	-	(3,258)	(3,258)
Net pension liability	101,779	404,607	506,386
Increase (decrease) in deferred inflow of resources			
Deferred pension resources	(83,027)	(330,061)	(413,088)
Net Cash Provided (Used) by Operating Activities	$ (5,248,263)	$ 78,981	$ (5,169,282)
Noncash Transactions Involving Capital and Related Financing Activities			
Book Value of Disposed Capital Assets	$ 342	$ -	$ 342

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Southwest and West Central Service Cooperative (the Cooperative) was incorporated under the laws of the State of Minnesota, (the State). The Cooperative was formed and is operated in order to perform educational planning on a regional basis and to assist in meeting specific educational needs of children in member school districts. School Board members of the member districts serve on the Cooperative's administrative board. The financial statements present the primary government of the Cooperative and its component unit. The primary government consists of all funds that are not legally separate from the Cooperative. Component units are organizations that are legally separate from the Cooperative, but for which the Cooperative in financially accountable, or organizations whose relationship with the Cooperative is such that exclusion would cause the Cooperative's financial statements to be misleading. 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 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 the ability of the primary government to impose its will on that organization or the potential for the organization to provide specific benefits to, or impose specific financial burden on the primary government.

The Cooperative is also a participant in, and a sponsor of, a public entity risk pool established as a health insurance purchasing pool for its members. Members may withdraw from the pool at any time. To rejoin the pool the member must wait twelve months. Any net investment that a withdrawing member has with the pool remains in the pool. The pool is responsible for any remaining "run-out" claims. The agreement for formation of the pool provides that the pool will be self-sustaining through member premiums and will reinsure through Minnesota Healthcare Consortium for claims in excess of the stop loss level for members in the Cities, Counties, and Other Governmental Agencies (CCOGA) pool. The amount of the School Pool is tiered by group size $75,000; $100,000; and $200,000 for each insured member. The pool also has an aggregate attachment point set at 110 percent of expected claims. Members are not subject to a supplemental assessment in the event of deficiencies. If the assets of the pool were to be exhausted, members would not be responsible for the pool's liabilities.

The Pool is administered by an agreement with Minnesota Healthcare Consortium (MHC) from July 1, 2022 to June 30, 2023.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The primary government is reported separately from the legally separate component unit. Generally, the effect of interfund activity has been removed from these statements. Within the primary government, governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include; 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as general revenues.

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary and fiduciary fund financial statements. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental 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. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Cooperative receives value without directly giving equal value in return, include grants and 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. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Description of Funds

Each fund is accounted for as an independent entity. The Cooperative has various individual activities accounted for in each fund grouping. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

The *General fund* is the Cooperative's primary operating fund. It accounts for all financial resources not accounted for and reported in other funds.

Major Proprietary Funds:

The *Insurance Pool – Cities, Counties, and Other Governmental Agencies (CCOGA) is used t*o 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 Minnesota Healthcare Consortium ceases.

The ESV Region IV Fund is used to account for computer services sold to member districts within the Cooperative's region.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

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. Investments for the Cooperative are reported at fair value. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The Cooperative may also 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.

Note 1: Summary of Significant Accounting Policies (Continued)

4. General obligations of the Minnesota Housing Finance Agency rated “A” or better.

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 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’s recurring fair value measurements are listed in detail on page 58 and are valued using quoted market prices (Level 2 inputs).

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances, therefore no provision for uncollectible accounts is deemed necessary.

Prepaid Items

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

Rate Stabilization Reserve

The MHC retains a portion of the premium paid as a rate stabilization reserve (RSR). This amount is recalculated annually in conjunction with the annual settlement. Negative balances in the RSR represent advances by MHC and required repayment by the Plan. For the plan years ended June 30, 2023, the rate stabilization reserve held by MHC, Inc. was $4,269,351.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, parking lots, sidewalks and similar items). Capital assets are defined by the Cooperative as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of one year. 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.

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

Assets	Years
Buildings	20-30
Equipment and vehicles	5-15

Health Claims Payable - IBNR (Incurred But Not Reported)

Health claims payable include provisions for claims reported and claims incurred but not reported (IBNR). The provision for IBNR is determined by an actuarial calculation prepared by MHC based on claims incurred plus a completion factor estimating the amount, which will ultimately be paid by each claimant. The provision for IBNR is estimated based on the Cooperative's experience since the inception of the program, and is based on the June 30, 2023 estimated settlement for both education districts and cities/counties and other local governmental agencies. The Cooperative has reserved investments in excess of this liability. Management believes the IBNR liability based on BCBSM estimated actuarial calculations as of June 30, 2023 adequately reflect the estimated IBNR liability for the current year ended. The amount for June 30, 2023 is $6,361,326.

Deferred Outflows of Resources

In addition to assets, the statement of net financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Cooperative has two items that qualify 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.

Compensated Absences

Teachers are ineligible for vacation pay; for other employees no vacation time is accrued past the fiscal year end unless specified in the employee contract. Substantially all Cooperative employees are entitled to sick leave at various rates. Only employees whose contracts stipulate that sick pay will be paid upon termination from the Cooperative are compensated for unused sick leave. The liability for such vacation and sick leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The General fund is typically used to liquidate the compensated absences payable.

Note 1: Summary of Significant Accounting Policies (Continued)

Postemployment Benefits other than Pensions

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, 2021 The General fund is typically used to liquidate governmental other postemployment benefits payable.

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 4.

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 total pension expense for the General Employee Plan (GERP) and TRA is as follows:

	GERP	TRA	Total All Plans
Cooperative's proportionate share	$ 1,846,244	$ (2,009,698)	$ (163,454)
Proportionate share of State's contribution	35,695	183,236	218,931
Total pension expense	$ 1,881,939	$ (1,826,462)	$ 55,477

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. 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.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Cooperative is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the Cooperative's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the governing body delegates the authority. The Board of Education has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Executive Director and Director of Finance.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The Cooperative considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Cooperative would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Board of Directors has formally adopted a fund balance policy for the General fund. The Cooperative's policy is to maintain a minimum unassigned fund balance between 25% and 35% of the current fiscal year's budgeted operating expenditures for cash-flow timing needs.

Note 1: Summary of Significant Accounting Policies (Continued)

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. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position balances 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 balances that do not meet the definition of “restricted” or “net 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.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for Cooperative funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

The Cooperative follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is prepared by the Director to be adopted by the Board of Directors.

2. Budgets for the General fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

3. Budgeted amounts are as originally adopted, or as amended. Budget amendments were made during the year.

4. Budget appropriations lapse at year end.

5. The Cooperative does not use encumbrance accounting.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess
General	$ 48,809,205	$ 49,604,577	$ 795,372

The above over expenditures were funded by excess of actual revenues over budget.

Note 3: 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 Education, 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 government entity.

At year end, the Cooperative's carrying amount of deposits was $598,895 and the bank balance was $1,112,696. Of the bank balance, $266,426 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department.

Note 3: Detailed Notes on all Funds (Continued)

As of June 30, 2023, 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:

				Fair Value Measurement Using	
Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance	Level 1	Level 2
Pooled Investments at Amortized Costs					
Minnesota School District Liquid Asset Fund	N/A	Less than 6 months	$ 1,114,637		
Non-Pooled Investments at Cost					
U.S. Treasury Notes	AA+	less than 1 year	2,064,203	$ 2,064,203	$ -
U.S. Treasury Notes	AA+	1 to 5 years	10,091,070	10,091,070	-
Municipal Bonds	AA-	1 to 5 years	220,045	220,045	-
Municipal Bonds	NR	1 to 5 years	523,057	-	523,057
Municipal Bonds	AA	1 to 5 years	356,871	-	356,871
Municipal Bonds	AAA	1 to 5 years	142,307	-	142,307
Municipal Bonds	AA+	1 to 5 years	237,752	-	237,752
Federal Agency Mortgage-Backed Security	AA+	less than 1 year	-	-	-
Federal Agency Mortgage-Backed Security	AA+	1 to 5 years	110,060	110,060	-
Federal Agency Mortgage-Backed Security	AA+	more than 5 years	1,592,366	1,592,366	-
Federal Agency Commercial Mortgage-Backed Security	AA+	less than 1 year	143,004	143,004	-
Federal Agency Commercial Mortgage-Backed Security	AA+	1 to 5 years	3,547,388	3,547,388	-
Federal Agency Collateralized Mortgage Obligation	AA+	less than 1 year	261,315	261,315	-
Federal Agency Bond	AA+	less than 1 year	4,002,478	4,002,478	-
Federal Agency Bond	AA+	1 to 5 years	5,102,794	5,102,794	-
Total Investments			$ 29,509,347	$ 27,134,723	$ 1,259,987

(1) Ratings are provided by various credit ratings agencies where applicable to indicate association's credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

The investments of the Cooperative are subject to the following risks:

- *Credit Risk*. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the Cooperative's investments to the list on page 53 of the notes.

- *Custodial Credit Risk*. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Note 3: Detailed Notes on all Funds (Continued)

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Investment Policy - The Cooperative has adopted an investment policy with regard to investing the financial assets of all funds in depositories and securities. Funds of the Cooperative are invested in accordance with this policy, Minnesota statutes chapter 118A and written administrative procedures. The Cooperative's investment portfolio is managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Investments are made based on statutory constraints and subject to available designated staffing capabilities. The primary investment criteria in priority sequence are safety, liquidity, and yield.

A maximum of 100% of the portfolio could be invested in the following: U.S Government agency securities and instrumentalities of government sponsored corporations, U.S. Treasury obligation (bills, notes and bonds), and certificates of deposit (CDs) at commercial banks. A maximum of 75% of the portfolio could be invested in commercial paper (prime double rated), CDs at savings and loan associations, local government investment pools, and money market funds.

Limitations on instruments, diversification and maturity scheduling depend upon the purpose of the fund for which they are being invested. All funds are normally considered short-term (one year) except those reserved for building construction projects and used to provide financial flexibility for a future fiscal year. Investment maturities for operating funds are scheduled to coincide with projected cash flow needs within one fiscal cycle, taking into account large routine expenditures. Instruments and diversification for mid and long-term portfolios are the same as for the short-term portfolio. Maturity scheduling is timed according to anticipated needs. For example, investment of building construction funds will be timed to meet contractor payments, usually for a term not to exceed three years.

All investment securities purchased by the Cooperative are held in safekeeping by an institution designated as custodial agent. The financial institutions issue a safekeeping receipt to the Cooperative listing the specific instrument, in whose name the security is held, rate, maturity and other pertinent information. Deposit-type securities (i.e. certificates of deposit) are collateralized as required by Minnesota Statutes 118A for any amount exceeding FDIC or FSLIC coverage. Other investments requiring collateral are secured by the actual security held in safekeeping by the primary agent. Mortgages are not accepted as collateral.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota 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 to AA+. The weighted average days in maturity does not exceed 60 days. The Cooperative's investment in the MSDLAF and Broker money markets are equal to the value of pool shares.

A reconciliation of cash and investments as shown on the Statement of Net Position for the Cooperative follows:

Deposits	$ 598,895
Petty Cash	700
Investments	29,509,347
Total cash and temporary investments	$ 30,108,942

Cash held with fiscal agent

Cash held with fiscal agent as of June 30, 2023 is $6,361,326 which consists of amounts held by MHC for reserves related to potential payouts for future IBNR claims.

Note 3: Detailed Notes on all Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Capital Assets not Being Depreciated/Amortized:				
Land	$ -	$ 226,101	$ -	$ 226,101
Construction in progress	890,030	923,865	(868,386)	945,509
Total capital assets not being depreciated/amortized	890,030	1,149,966	(868,386)	1,171,610
Capital Assets Being Depreciated/Amortized:				
Buildings and Improvements	7,377,615	517,638	-	7,895,253
Equipment	3,782,089	76,600	(121,729)	3,736,960
Leased Buildings (Intangible Right to use Asset)	6,913,279	557,101	(372,278)	7,098,102
Total Capital Assets Being Depreciated/Amortized	18,072,983	1,151,339	(494,007)	18,730,315
Less Accumulated Depreciation/Amortization:				
Buildings	(1,645,809)	(330,875)	-	(1,976,684)
Equipment	(2,452,805)	(337,262)	112,570	(2,677,497)
Leased Buildings (Intangible Right to use Asset)	(1,344,890)	(1,438,350)	372,278	(2,410,962)
Total Accumulated Depreciation/Amortization	(5,443,504)	(2,106,487)	484,848	(7,065,143)
Total Capital Assets being Depreciated/Amortized, Net	12,629,479	(955,148)	(9,159)	11,665,172
Governmental Activities Capital Assets, Net	$ 13,519,509	$ 194,818	$ (877,545)	$ 12,836,782

Depreciation/amortization expense was charged to functions of the Cooperative as follows:

Administration	$ 1,510
District Support Services	47,102
Secondary and Regular Instruction	4,209
Vocational Education	97,687
Special Education Instruction	145,669
Instructional Support Services	78,742
Pupil Support Services	539
Sites, Buildings and Equipment	1,731,029
Total Depreciation/Amortization Expense	$ 2,106,487

Note 3: Detailed Notes on all Funds (Continued)

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Business Activities				
Capital Assets Being Depreciated/Amortized:				
Buildings and Improvements	$ 60,102	$ -	$ (2,223)	$ 57,879
Less Accumulated Depreciation/Amortization:				
Buildings	(37,860)	(3,464)	1,881	(39,443)
Busniess Activities Capital Assets, Net	$ 22,242	$ (3,464)	$ (342)	$ 18,436

Depreciation expense was charged to functions/programs of the business-type activities as follows:

ESV Region IV	$ 3,464

Construction Commitments

The Cooperative has active construction projects as of June 30, 2023. At year end the Cooperative's commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
Pipestone ELC Playground	$ 104,548	$ 6,948

Note 3: Detailed Notes on all Funds (Continued)

C. Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Leases payable	$ 6,035,447	$ 557,101	$ (971,589)	$ 5,620,959	$ 689,119
Compensated Absences Payable	152,376	341,497	(329,967)	163,906	163,906
Governmental Activity Long-term Liabilities	$ 6,187,823	$ 898,598	$ (1,301,556)	$ 5,784,865	$ 853,025

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Compensated Absences Payable	$ 27,635	$ 45,817	$ (49,075)	$ 24,377	$ 24,377

Lease Payable

Lease agreements are summarized as follows:

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Marshall Building	$ 85,953	3.97 %	9/14/1998	Monthly	Varies	$ 9,933
Pipestone Building	373,750	2.60	7/1/2019	Quarterly	Varies	127,280
Minnwest Willmar Building	467,058	0.19	9/1/2021	Monthly	$16,719	100,258
Winfair Building	485,805	0.50	7/1/2020	Monthly	$10,225	244,117
WEAC Building	53,586	0.50	7/1/2020	Monthly	$1,500	17,952
Montevideo Building	5,074,849	1.80	9/23/2020	Yearly	Varies	4,622,250
Karels Korner Building	225,353	3.12	8/1/2022	Monthly	Varies	211,539
Marshall Ready Clinic	131,086	3.34	11/1/2022	Monthly	$2,500	116,015
Glencoe ALC	200,632	2.53	9/1/2022	Monthly	$3,620	171,615
Total						$ 5,620,959

Note 3: Detailed Notes on all Funds (Continued)

The Marshall building was leased for the Cooperative beginning September 14, 1998 for a term of twenty years. The lease was extended an extra five years, expiring September 14, 2023. The fixed interest rate on the lease is 3.97% and there are no renewal options.

The Pipestone building was leased for the Cooperative beginning July 1, 2019 for a term of five years at a fixed interest rate of 2.60%. There is an option to renew the contract for an additional five years.

The Minnwest Willmar building was leased to the Cooperative beginning September 1, 2021 for a term of sixteen months. The Cooperative has exercised its option to extend the lease to August 31, 2024 at a fixed interest rate of 0.19%

The Winfair building was leased to the Cooperative beginning July 1, 2020 for a term of two years and ten months. The Cooperative plans on exercising its option to extend the lease to June 30, 2025 at a fixed interest rate of 0.50%.

The WEAC building was leased to the Cooperative beginning July 1, 2020 for a term of four years. The fixed interest rate on the lease is 0.50%. There is no renewal option available.

The Montevideo building was leased to the Cooperative beginning September 23, 2020 for a term of eight years and four months at a fixed rate of 1.80%.

The Karels Korner building was leased to the Cooperative beginning August 8, 2022 for a term of ten years at a fixed rate of 3.12%.

The Marshall Ready Clinic building was leased to the Cooperative beginning November 1, 2022 for a term of one year and eight months at a fixed rate of 3.34%.

The Glencoe ALC building was leased to the Cooperative beginning September 1, 2022 for a term of five years at a fixed rate of 2.53%.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2024	$ 689,119	$ 97,129	$ 786,248
2025	443,380	88,170	531,550
2026	328,810	80,992	409,802
2027	335,444	73,971	409,415
2028	285,866	67,675	353,541
2029 - 2033	3,538,340	37,390	3,575,730
Total	$ 5,620,959	$ 445,327	$ 6,066,286

Note 4: Defined Benefit Pension Plans – Statewide

A. Teacher 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 members, one retired member and three statutory officials.

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

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:

Tier I:	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are prior to July 1, 2006	1.2 percent per year
	First 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

Note 4: Defined Benefit Pension Plans – Statewide (Continued)

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 for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989 receive only the Tier II 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 or 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, which 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:

	Ending June 30, 2021		Ending June 30, 2022		Ending June 30, 2023	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	12.13%	11.00%	12.34%	11.00%	12.55%
Coordinated	7.50%	8.13%	7.50%	8.34%	7.50%	8.55%

The Cooperative's contributions to TRA for the years ending 2023, 2022 and 2021 were $1,341,982, $1,145,063 and $1,105,648, respectively. The Cooperative's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4: Defined Benefit Pension Plans – Statewide (Continued)

The following is a reconciliation of employer contributions in TRA's fiscal year 2022 Annual Comprehensive 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 Annual Comprehensive Financial Report Statement of Changesin Fiduciary Net Position	$ 482,679,000
Add Employer Contributions not Related to Future Contribution Efforts	(2,178,000)
Deduct TRA's Contributions not Included in Allocation	(572,000)
Total Employer Contributions	479,929,000
Total Non-employer Contributions	35,590,000
Total Contributions Reported in Schedule of Employer and Non-Employer Pension Allocations	$ 515,519,000

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.

4. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation Date	July 1, 2022
Measurement date	June 30, 2022
Experience Study	June 5, 2019 (demographic and economic assumptions)*
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% 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 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP 2014 white collar adjustment, male rates set back five years and female rates set back seven years. Generation projection uses the MP-2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male 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, without adjustment.

*The assumptions prescribed are based on the experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with the actuary.

Note 4: Defined Benefit Pension Plans – Statewide (Continued)

5. Long-Term Rate of Return

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	33.50 %	5.10 %
International Equity	16.50	5.30
Private Markets	25.00	5.90
Fixed Income	25.00	0.75
Total	100.00 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The Difference between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion use the amortization period of six years in the schedule presented. The amortization period for Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is five years as required by GASB 68.

Changes in actuarial assumptions since the 2021 valuation:

- None

6. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 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).

7. Net Pension Liability

As of June 30, 2023, the Cooperative reported a liability of $17,808,616 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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's proportionate share was 0.2224 percent at the end of the measurement period and 0.2271 percent for the beginning of the year.

Note 4: Defined Benefit Pension Plans – Statewide (Continued)

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	$ 17,808,616
State's Proportionate Share of Net Pension Liability Associated with the Cooperative	1,320,372

For the year ended June 30, 2023, the Cooperative recognized negative pension expense of ($2,009,698). It also recognized $183,236 as an increase to pension expense for the support provided by direct aid.

On June 30, 2023, 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 Experience	$ 276,400	$ 154,311
Changes in Actuarial Assumptions	2,913,623	3,398,433
Net Difference Between Projected and Actual Earnings on Plan Investments	406,934	-
Changes in Proportion	925,538	-
Contributions to TRA Subsequent to the Measurement Date	1,341,982	-
Total	$ 5,864,477	$ 3,552,744

Deferred outflows of resources totaling $1,341,982 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, 2024. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2024	$ (2,736,338)
2025	559,373
2026	(190,792)
2027	2,014,291
2028	1,312,760
Thereafter	10,457

Note 4: Defined Benefit Pension Plans – Statewide (Continued)

8. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

District Proportionate Share of NPL		
1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
$ 28,074,313	$ 17,808,616	$ 9,393,945

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.

9. Pension Liability Sensitivity

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, 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.

Note 4: Defined Benefit Pension Plans – Statewide (Continued)

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.

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 2022 and the Cooperative was required to contribute 7.50 for Coordinated Plan members. The Cooperative's contributions to the General Employees Fund for the years ending June 30, 2023, 2022 and 2021 were $693,584, $579,925 and $524,722, respectively. The Cooperative's contributions were equal to the required contributions for each year as set by Minnesota statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2023, the Cooperative reported a liability of $8,149,714 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 $238,888.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Cooperative's proportion 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The Cooperative's proportionate share was 0.1029 percent which was an increase of 0.0112 percent from its proportion measured as of June 30, 2021.

Note 4: Defined Benefit Pension Plans – Statewide (Continued)

Cooperative's Proportionate Share of Net Pension Liability	$ 8,149,714
State's Proportionate Share of Net Pension Liability Associated with the Cooperative	238,888

For the year ended June 30, 2023, the Cooperative recognized pension expense of $1,846,244 for its proportionate share of General Employees Plan's pension expense. In addition, the Cooperative recognized an additional $35,693 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, 2023, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 68,071	$ 78,066
Changes in Actuarial Assumptions	1,649,738	31,602
Net Difference Between Projected and Actual Earnings on Plan Investments	465,218	-
Changes in Proportion	130,285	-
Contributions to GERF Subsequent to the Measurement Date.	693,584	-
Total	$ 3,006,896	$ 109,668

The $693,584 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	$ 856,310
2025	757,052
2026	(146,734)
2027	737,016

Note 4: Defined Benefit Pension Plans – Statewide (Continued)

5. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
Private Markets	25.00	5.90
Fixed Income	25.00	0.75
International Equity	16.50	5.30
Total	100.00 %	

6. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method: The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions used in the June 30, 2023 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

Note 4: Defined Benefit Pension Plans – Statewide (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

7. Discount Rate

The discount rate used to measure the total pension liability was 6.50 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 were 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.

8. 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 one percentage point lower or one percentage point higher than the current discount rate:

Cooperative Proportionate Share of NPL		
1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
$ 12,872,900	$ 8,149,714	$ 4,275,972

9. 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.

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The Cooperative's defined benefit OPEB plan provides OPEB for all full-time employees of the Cooperative. The Cooperative operates a single-employer retiree benefit plan ("the Plan"). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The Plan does not issue a publicly available report.

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	7
Active Plan Members	401
Total plan members	408

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, 2023, the Cooperative's average contribution rate was 5.29 percent of covered-employee payroll. For the year 2023.

C. Actuarial Methods and Assumptions

The Cooperative's total OPEB liability of $1,102,240 was measured as of July 1, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021. 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, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.10%
20-year Municipal Bond Yield	2.10%
Inflation Rate	2.00%
Salary Increases	Service graded table, see sample rates
Medical Trend Rate	6.25% as of July 1, 2022 grading to 5.00% over 5 years and then to 4.00% over the next 47 years

The discount rate used to measure the total OPEB liability was 2.10 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-2020 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2022 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.

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at June 30, 2022	$ 951,299
Changes for the Year:	
Service cost	168,828
Interest	23,095
Benefit payments	(40,982)
Net Changes	150,941
Balances at June 30, 2023	$ 1,102,240

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 (1.10 percent) or 1-percentage-point higher (3.10 percent) than the current discount rate:

1 Percent Decrease (1.10%)	Current (2.10%)	1 Percent Increase (3.10%)
$ 1,188,828	$ 1,102,240	$ 1,019,425

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%)
$ 943,225	$ 1,102,240	$ 1,298,566

Note 5: 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, 2023, the Cooperative recognized OPEB expense of $102,566. At June 30, 2023, 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
Liability Gains / Losses	$ -	$ 285,695
Changes in Actuarial Assumptions	53,363	22,564
Contributions to OPEB Subsequent to the Measurement Date	36,939	-
Total	$ 90,302	$ 308,259

Deferred outflows of resources totaling $36,939 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, 2024.

Note 6: Legislative Mandate for a Statewide Educational Delivery System

During the 1991 and 1992 state legislative sessions, laws have been passed requiring the design and implementation of a new statewide delivery system for educational services. The purpose of this legislation was to reduce the number of different cooperative organizations and the multiple levels of administration that encompass the current educational delivery system. A final report with recommendations for a new delivery system was due to the legislature by July 1, 1994 with implementation by July 1, 1995. Among the organizations included in legislation mandating the design and implementation of a new educational delivery system is the Southwest West Central Service Cooperative. This legislation changed the Cooperative to a Service Cooperative of the State effective July 1, 1995. The Cooperative no longer receives any state aid appropriation. Local districts received the authority to levy their share of the appropriation which then must be spent for cooperative efforts. Services such as those provided by the Cooperative would be one option for cooperative efforts.

Note 7: Joint Powers Agreement

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 MHC on a monthly basis for administering the program. The claims portion is remitted to MHC on a weekly basis. Any remaining amounts are held by the Cooperative to fund any future liabilities (insurance claims). There are sixty-one educational districts and twenty-four other governmental units included in the pool.

The premium plan year-end is June 30 for the school pool and December 31 for the CCOGA pool, even though premium and claims activity is reported using a June 30 year-end. As of June 30, 2023, plan years December 31, 2022 and June 30, 2022, have been settled.

Note 7: Joint Powers Agreement (Continued)

As part of the agreement, MHC has established a rate stabilization reserve (RSR) to provide cash flows for the insurance program. This reserve 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 overfunding for 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 schools and cities, counties, and other local governmental agencies based on MHC estimates.

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 in the statewide pool. This pool will be allocated based on the number of contracts in the Small Employer Pool associated with a party's region. MHC is considered the fiscal agent of this pool.

Note 8: 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 (IBNRs). The Cooperative's management is not aware of any incurred but not reported claims.

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REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWEST AND WEST CENTRAL SERVICE COOPERATIVE
MARSHALL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

Southwest and West Central Service Cooperative
Marshall, Minnesota
Required Supplementary Information
For the Year Ended
June 30, 2023

Schedule of Employer's Share of TRA Net Pension Liability

	Required Supplementary Information						
Fiscal Year	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+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2022	0.2224 %	$ 17,808,616	$ 1,320,372	$ 19,128,988	$ 13,729,772	129.7 %	76.2 %
6/30/2021	0.2271	9,938,575	838,366	10,776,941	13,599,606	79.2	86.6
6/30/2020	0.2403	17,753,686	1,487,594	19,241,280	13,963,561	127.1	75.5
6/30/2019	0.2073	13,213,346	1,169,106	14,382,452	11,769,780	112.3	78.1
6/30/2018	0.2006	12,599,558	1,183,514	13,783,072	11,080,280	113.7	78.1
6/30/2017	0.1785	35,631,838	3,445,207	39,077,045	9,607,330	370.9	51.6
6/30/2016	0.1671	39,857,337	4,001,235	43,858,572	8,692,973	458.5	44.9
6/30/2015	0.0157	9,712,003	1,191,557	10,903,560	7,970,600	121.9	76.8
6/30/2014	0.1687	7,773,575	546,958	8,320,533	7,698,732	101.0	81.5

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

Schedule of Employer's TRA Contributions

	Required Supplementary Information				
Fiscal Year	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)
6/30/2023	$ 1,341,982	$ 1,341,982	$ -	$ 15,695,698	8.5 %
6/30/2022	1,145,063	1,145,063	-	13,729,772	8.3
6/30/2021	1,105,914	1,105,914	-	13,963,561	8.1
6/30/2020	907,450	907,450	-	11,769,780	7.9
6/30/2019	831,021	52,072	-	11,080,280	7.5
6/30/2018	720,550	53,757	-	9,607,330	7.5
6/30/2017	651,973	50,607	-	8,692,973	7.5
6/30/2016	597,795	45,435	-	7,970,600	7.5
6/30/2015	538,991	34,523	-	7,698,732	7.5

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2022 - No changes noted.

2021 - The investment return assumption was changed from 7.50 percent to 7.00 percent

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.

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

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 - No changes noted.

2016 - No changes noted.

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.

Southwest and West Central Service Cooperative
Marshall, Minnesota
Required Supplementary Information (Continued)
For the Year Ended
June 30, 2023

Schedule of Employer's Share of PERA Net Pension Liability

Required Supplementary Information

Fiscal Year	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
6/30/2022	0.1029 %	$ 8,149,714	$ 238,888	$ 8,388,602	$ 7,732,333	105.4 %	76.7 %
6/30/2021	0.0917	3,916,001	119,586	4,035,587	6,996,293	56.0	87.0
6/30/2020	0.0981	5,881,543	181,321	6,062,864	6,996,293	86.7	79.1
6/30/2019	0.0897	4,959,312	154,160	5,113,472	6,347,293	80.6	80.2
6/30/2018	0.0817	4,532,381	148,706	4,681,087	5,489,667	85.3	79.5
6/30/2017	0.0783	4,998,620	62,842	5,061,462	5,043,387	100.4	75.9
6/30/2016	0.0746	6,057,150	79,136	6,136,286	4,631,333	132.5	68.9
6/30/2015	0.0698	3,617,398	-	3,617,398	4,094,134	88.4	78.2
6/30/2014	0.0848	3,983,479	-	3,983,479	4,450,835	89.5	78.7

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions

Required Supplementary Information

Fiscal Year	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)
6/30/2023	$ 693,584	$ 693,584	$ -	$ 9,247,789	7.5 %
6/30/2022	579,925	579,925	-	7,732,333	7.5
6/30/2021	524,722	524,722	-	6,996,293	7.5
6/30/2020	476,047	476,047	-	6,347,293	7.5
6/30/2019	411,725	411,725	-	5,489,667	7.5
6/30/2017	378,254	378,254	-	5,043,387	7.5
6/30/2016	347,350	347,350	-	4,631,333	7.5
6/30/2015	302,642	302,642	-	4,094,134	7.5
6/30/2014	322,905	322,905	-	4,450,835	7.5

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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.

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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.

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

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	$ 168,828	$ 163,911	$ 167,555	$ 147,587	$ 132,666	$ 126,153
Interest	23,095	27,826	30,070	37,130	31,906	28,486
Assumption changes	-	41,646	35,410	(45,128)	-	-
Plan changes	-	-	32,439	-	46,147	-
Differences between expected and actual experience	-	(240,229)	-	(211,048)	-	-
Benefit payments	(40,982)	(74,250)	(70,492)	(70,616)	(73,349)	(47,966)
Net Change in total OPEB Liability	150,941	(81,096)	194,982	(142,075)	137,370	106,673
Total OPEB liability - beginning	951,299	1,032,395	837,413	979,488	842,118	735,445
Total Opeb Liability - Ending	$ 1,102,240	$ 951,299	$ 1,032,395	$ 837,413	$ 979,488	$ 842,118
Covered - employee payroll	$ 20,816,967	$ 20,210,648	$ 20,976,692	$ 20,365,720	$ 16,696,888	$ 16,210,571
Cooperative's net OPEB liability (asset) as a percentage of covered employee payroll	5.29%	4.71%	4.92%	4.11%	5.87%	5.19%

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

Changes in Benefits

2022 – None.

2021 - Two employees elected to retire under an Early Retirement Incentive Program during the 2020-2021 plan year. Each of these employees is eligible to receive a lump sum payment of $14,605 payable to a VEBA. This change, along with a corresponding increase in the implicit rate subsidy, increased the liability $32,439.

2020 - There was a liability gain of $123,737 due to updated census data. There was a liability gain of $87,311 due to claims and premiums lower than expected.

2019 - A special agreement was added for one retiring employee, that includes an employer contribution of up to $1,253.50 per month until Medicare eligibility.

2018 - A special agreement for one retiring employee of employer contributions toward medical premiums the same as active employees from December 2017 through June 2018.

Schedule of Changes in the Cooperative's Total OPEB Liability and Related Ratios (Continued)

Changes in Actuarial Assumptions

2022 - None.

2021 - The discount rate was changed from 3.10% to 2.40%.

2020 - The health care trend rates were changed to better anticipate short term and long-term medical increases. The morality 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% to 3.10%. These changes decreased the liability $45,128.

2019 - None.

2018 - 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 MP-2016 Generational Improvement Scale. The discount rate changed from 3.00% to 3.40%. The actuarial cost method was changed from the projected unit credit to entry age as prescribed by GASB 74/75.

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COMBINING FINANCIAL SCHEDULE AND TABLE

SOUTHWEST AND WEST CENTRAL SERVICE COOPERATIVE
MARSHALL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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Southwest and West Central Service Cooperative
Marshall, Minnesota
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2023

	General	Grant Administration	Total
Revenues			
Other local revenues	$ 17,122,273	$ -	$ 17,122,273
Interest earned on investments	41,164	-	41,164
Revenue from state sources	16,581,436	-	16,581,436
Revenue from federal sources	15,667,963	213,727	15,881,690
Sales and other conversion of assets	25,757	-	25,757
Total Revenues	49,438,593	213,727	49,652,320
Expenditures			
Current			
Administration	213,019	-	213,019
District support services	1,015,227	-	1,015,227
Elementary and secondary instruction	4,324,362	-	4,324,362
Vocational education	4,933,077	213,727	5,146,804
Special education instruction	30,449,815	-	30,449,815
Instructional support services	3,954,149	-	3,954,149
Pupil support	378,242	-	378,242
Sites and buildings	576,671	-	576,671
Capital Outlay			
District support services	141,710	-	141,710
Elementary and secondary instruction	475,691	-	475,691
Vocational education	91,617	-	91,617
Special education instruction	1,109,530	-	1,109,530
Instructional support services	96,477	-	96,477
Sites and buildings	529,205	-	529,205
Debt service			
Principal	947,522	-	947,522
Interest	154,536	-	154,536
Total Expenditures	49,390,850	213,727	49,604,577
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,743	-	47,743
Other Financing Sources (Uses)			
Leases issued	557,101	-	557,101
Insurance recovery	6,934	-	6,934
Total Other Financing Sources (Uses)	564,035	-	564,035
Net Change in Fund Balances	611,778	-	611,778
Fund Balances, July 1	12,010,008	-	12,010,008
Fund Balances, June 30	$ 12,621,786	$ -	$ 12,621,786

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

Fiscal Compliance Report - 6/30/2023

District: REGION 6 & 8 - S.W./W. C (991-83)

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$49,652,329	$49,652,330	($1)
Total Expenditures	$49,604,582	$49,604,584	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$373,315	$373,316	($1)
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe Schools Levy	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$269,856	$269,857	($1)
Unassigned:			
4.22 Unassigned Fund Balance	$11,978,619	$11,978,615	$4

02 FOOD SERVICES

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

06 BUILDING CONSTRUCTION

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

07 DEBT SERVICE

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

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

18 CUSTODIAL

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$75,119,987	$75,119,983	$4
Total Expenditures	$82,428,019	$82,428,019	$0
4.22 Unassigned Fund Balance (Net Assets)	$29,095,909	$29,095,907	$2

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0

Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

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

4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Fiscal Compliance Report - 6/30/2023

District: REGION 4 (866-82)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$1,478,870	$1,478,870	$0
Total Expenditures	$1,438,486	$1,438,486	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe Schools Levy	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$272,683	$272,683	$0
Unassigned:			
4.22 Unassigned Fund Balance	$785,891	$785,893	($2)
02 FOOD SERVICES			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0

Unassigned:

4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

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

4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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OTHER REPORTS

SOUTHWEST AND WEST CENTRAL SERVICE COOPERATIVE
MARSHALL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Southwest and West Central Service Cooperative
Marshall, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities and each major fund of the Southwest and West Central Service Cooperative (the Cooperative), Marshall, Minnesota as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for 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 Cooperative'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

Abdo
Mankato, Minnesota
December 19, 2023

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
Southwest and West Central Service Cooperative
Marshall, 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 the governmental activities, the business-type activities and each major fund of Southwest and West Central Service Cooperative (the Cooperative), Marshall, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated December 19, 2023.

Report on 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 the 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. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2023-001 and 2023-002 to be significant deficiencies.

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.

Report on Compliance and Other Matters

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

Responses to Findings

The Cooperative's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Cooperative's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

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Mankato, Minnesota
December 19, 2023

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FEDERAL FINANCIAL AWARD PROGRAMS

SOUTHWEST AND WEST CENTRAL SERVICE COOPERATIVE
MARSHALL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2023

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

Board of Directors
Southwest and West Central Service Cooperative
Marshall, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southwest and West Central Service Cooperative, Marshall, Minnesota (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, 2023. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

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, 2023

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cooperative's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Cooperative's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses and significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

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

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

Abdo

Abdo
Mankato, Minnesota
December 19, 2023

Southwest and West Central Service Cooperative
Marshall, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Funding Source	Administering Department	Grant Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Program Clusters	Federal Expenditures
U.S. Department of Education	MN Department of Education	Special Educatoin	84.027	478123	$ -	$ 31,417	
			84.027	475129	411,543	1,355,471	
			84.027	475129	2,268,904	7,538,237	
			84.027	500124	41,200	545,120	
			84.027A	N/A	42,952	268,221	
		American Rescue Plan (ARP)	84.027XC	N/A	782,370	1,136,327	
		American Rescue Plan (ARP) Coordinated Early Intervention Services	84.027XC	N/A	35,587	130,016	
U.S. Department of Education	MN Department of Education	Special Education Preschool Grants	84.173	509125	122,441	335,948	
		American Rescue Plan (ARP) Preschool Grants for Children with Disabilities	84.173XC	N/A	71,764	95,277	
		Total Special Education Cluster					$ 11,436,034
U.S. Department of Education	MN Department of Education	Special Education Grants for Infants and Families					
		Ages Brith to 2	84.181	494120	-		143,306
		Regional IEIC Grant for Children Ages Brith to 2	84.181A	N/A	-		40,641
U.S. Department of Education	MN Department of Education	School Safety National Activities	84.184	N/A	-		2,886
U.S. Department of Education	MN Department of Education	Supporting Effective Instruction State Grants	84.367	GMS#4990	-		166,400
U.S. Department of Education	MN Department of Education	Education Innovation and Research	84.411A	N/A	-		302,049
U.S. Department of Education	MN Department of Education	Title I Grants to Local Educational Agencies - Prevention and Intervention	84.010	GMS#4989	-		1,197,087
U.S. Department of Education	MN Department of Education	Career and Technical Education - Basic Grants to States	84.048	499566	276,846		662,413
U.S. Department of Education	MN Department of Education	COVID-19 Education Stabiliation Fund Under The Coronavirus Aid, Relief, and Economic Security Act					
		The Governor's Emergency Eucation Relief (GEER) II	84.425CC	N/A	-		1,554,488
		Elementary and Secondary School Education Relief	84.425DC	N/A	-		12,947
		Learning Recovery - Lost Instructional Time	84.425UC	N/A	-		1,746
U.S. Department of Education	MN Department of Education	Emergency Connectivity Fund Program	32.009	N/A	-		36,750
U.S. Department of Education	MN Department of Education	Public Health Emergency Response: Cooperative	93.354	N/A	-		324,943
		Total Expended					$ 15,881,690

Southwest and West Central Service Cooperative
Marshall, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Southwest and West Central Service Cooperative, Marshall, 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 requirement 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 modified 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

Of the Federal expenditures presented in the schedule, the Cooperative provided Federal awards to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2023, the Cooperative did not elect to use the 10 percent de minimis indirect cost rate.

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Southwest and West Central Service Cooperative
Marshall, Minnesota
Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2023

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?	Yes
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?	Yes
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 the Uniform Guidance?	No

Identification of Major Programs/Projects	**Assistance Listing No.**
Title I Grants to Local Education Agencies	84.010
Education Stabilization Fund (ESF)	84.425CC
The Governor's Emergency Eucation Relief (GEER) II	84.425CC
Elementary and Secondary School Education Relief Learning Recovery - Lost Instructional Time	84.425UC
Career and Technical Education--Basic Grants to States (Perkins V)	84.048
Dollar threshold used to distinguish between Type A and Type B Programs	$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

A significant deficiency relating to the audit of the financial statements is reported in the 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* as findings 2023-001 and 2023-002. This finding does not merit a material weakness.

Section III - Major Federal Award Findings and Questioned Costs

Significant deficiencies in internal control over major programs is reported in the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance. Findings 2023-001 and 2023-002 are reported as a significant deficiencies.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

Other Issues

A Corrective Action Plan is required because there were findings required to be reported under the Federal Single Audit Act.

Finding	Description
2023-001	**U.S. Department of Education** **Passed through State of Minnesota** **Title I Grants to Local Education Agencies** **Activities Allowed or Unallowed and Allowable Cost/Cost Principles** **Deficiency in Internal Control over Compliance** **Employee Credit Card Transactions**
Condition:	During our audit, it came to our attention that employee credit card transactions were not included in monthly Board packets.
Criteria:	Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires internal control procedures to be performed over expenditures.
Cause:	The report of all Cooperative disbursements that is given to the Board at each meeting did not include employee credit card transactions.
Effect:	The Board is unable to review employee credit card purchases thus increasing the risk of improper purchases.
Recommendation:	We recommend that the bills report be reviewed before every meeting to ensure all bills, EFT’s, and credit card purchases are included.

Management Response:

The Cooperative corrected this deficiency in February of fiscal year 2023.

2023-002 **U.S. Department of Education**
Passed through State of Minnesota
Career and Technical Education

Reporting
Deficiency in Internal Control over Compliance
Internal Controls Over Federal Program Reporting

Condition: During our audit, it came to our attention that reports submitted as part of the federal CTE program were not being reviewed by a party other than the preparer.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires internal control procedures to be performed over reporting.

Cause: There was no approver on quarterly reports other than the preparer sign off.

Effect: There is not sufficient oversight of federal reports.

Recommendation: We recommend that someone other than the preparer review the CTE quarterly reports for accuracy.

Management Response:

Management had a turnover in staff and was unable to fill the Accounting Supervisor/Specialist position which involved preparing and submitting by the same staff member. The position was filled as of December 4, 2023 and that individual will be preparing the reports and reviewed by the Director of Finance.

SOUTHWEST WEST CENTRAL SERVICE COOPERATIVE
SWWC
Education & Administrative Resources
1420 East College Drive
Marshall, MN 56258
www.swwc.org

2023-001 – Employee Credit Card Transactions

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

Management is aware of the condition and has taken the proper steps to ensure compliance in the future.

3. Official Responsible for Ensuring CAP:

Tegan Gillund, Director of Operations, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

June 30, 2024.

5. Plan to Monitor Completion of CAP:

The report that is generated each month to report expenditures to the Board will now be monitored each month by the accounting staff and Board finance committee to ensure all transactions are included in the report.

Tegan Gillund
Director of Finance

SOUTHWEST WEST CENTRAL SERVICE COOPERATIVE
SWWC
Education & Administrative Resources
1420 East College Drive
Marshall, MN 56258
www.swwc.org

2023-002 – Internal Controls Over Federal Program Reporting

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

Management is aware of the condition and has taken the proper steps to ensure compliance in the future.

3. Official Responsible for Ensuring CAP:

Tegan Gillund, Director of Operations, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

June 30, 2024.

5. Plan to Monitor Completion of CAP:

The report that is generated each month to report expenditures to the Board will now be monitored each month by the accounting staff and Board finance committee to ensure all transactions are included in the report.

Tegan Gillund
Director of Finance

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Finding	Description
2022-001	**U.S. Department of Education** **Passed through State of Minnesota** **Title I Grants to Local Education Agencies** **Activities Allowed or Unallowed and Allowable Cost/Cost Principles** **Deficiency in Internal Control over Compliance** **Employee Credit Card Transactions**
Condition:	During our audit, it came to our attention that employee credit card transactions were not included in monthly Board packets.
Criteria:	Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires internal control procedures to be performed over expenditures.
Cause:	The report of all Cooperative disbursements that is given to the Board at each meeting did not include employee credit card transactions.
Effect:	The Board is unable to review employee credit card purchases thus increasing the risk of improper purchases.
Recommendation:	We recommend that the bills report be reviewed before every meeting to ensure all bills, EFT's, and credit card purchases are included.

Updated Progress Since Prior Year:

The Cooperative corrected this deficiency in February of fiscal year 2023.