



# Annual Financial Report

Cannon Valley Special Education Cooperative  
Faribault, Minnesota

For the year ended June 30, 2022



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Cannon Valley Special Education Cooperative  
 Faribault, Minnesota  
 Table of Contents  
 For the Year Ended June 30, 2022

	Page No.
<b>Introductory Section</b>	
Administrative Information	7
<b>Financial Section</b>	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
<b>Basic Financial Statements</b>	
District-wide Financial Statements	
Statement of Net Position	26
Statement of Activities	27
Fund Financial Statements	
Governmental Funds	
Balance Sheet	30
Reconciliation of the Balance Sheet to the Statement of Net Position	31
Statement of Revenues, Expenditures and Changes in Fund Balances	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	33
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	34
Notes to the District Financial Statements	35
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Teachers Retirement Association Net Pension Liability	62
Schedule of Employer's Teachers Retirement Association Contributions	62
Notes to the Required Supplementary Information - TRA	63
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability	64
Schedule of Employer's Public Employees Retirement Association Contributions	64
Notes to the Required Supplementary Information - PERA	65
Schedule of Changes in the Cooperative's Total OPEB Liability and Related Ratios	66
Notes to the Required Supplementary Information - OPEB	66
<b>Individual Fund Schedule and Table</b>	
General Fund	
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget to Actual	71
Uniform Financial Accounting and Reporting Standards Compliance Table	74
<b>Other Reports</b>	
Independent Auditor's Report on Minnesota Legal Compliance	79
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80
Schedule of Findings and Responses	82
Corrective Action Plan	84

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INTRODUCTORY SECTION

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE  
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Administrative Information  
For the Year Ended June 30, 2022

**MEMBER DISTRICTS**

Independent School District No. 761, Owatonna  
Independent School District No. 656, Faribault  
Independent School District No. 659, Northfield  
Independent School District No. 763, Medford

**ADMINISTRATIVE BOARD**

Jolayne Mohs	Chairperson	Owatonna
Jennifer Jones	Vice-Chairperson	Medford
Amy Goerwitz	Secretary	Northfield
Jerry Robicheau	Treasurer	Fairbault

**SUPERINTENDENTS**

Jeffrey Elstad	Owatonna
Jami Bente	Faribault
Matt Hillmann	Northfield
Mark Ristau	Medford

**ADMINISTRATIVE STAFF**

Sarah McGuire	Executive Director
Cori Weems	Executive Assistant
Kim Washa	Finance and Payroll Coordinator

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FINANCIAL SECTION  
CANNON VALLEY SPECIAL EDUCATION COOPERATIVE  
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Members of the Administrative Board  
Cannon Valley Special Education Cooperative  
Faribault, Minnesota

### Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Cannon Valley Special Education Cooperative, Faribault, Minnesota (the Cooperative), as of and for the year ended June 30, 2022 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 and the major fund of the Cooperative as of June 30, 2022, and the respective changes in financial position and the 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 Cannon Valley Special Education 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

The Cooperative's 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 the 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 Cannon Valley Special Education 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 Cannon Valley Special Education 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 Cannon Valley Special Education 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.

### **Change in Accounting Principle**

As described in Note 7 to the financial statements, the Cooperative adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Lease, for the year ended June 30, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

### **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedules of Employer's Shares of the Net Pension Liability, the Schedules of Employer's Pension and Other Post-employment Plan Contributions and the Schedule of Changes in the Cooperative's Total OPEB Liability and Related Ratios starting on page 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## **Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the School's basic financial statements. The accompanying individual fund schedule and table 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedule and table 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 annual 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 2, 2022, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.



**Abdo**  
Mankato, Minnesota  
December 2, 2022



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## Management's Discussion and Analysis

As management of the Cannon Valley Special Education Cooperative, (the Cooperative), we offer readers of the Cooperative's financial statements this narrative overview and analysis of the financial activities of the Cooperative's for the fiscal year ended June 30, 2022.

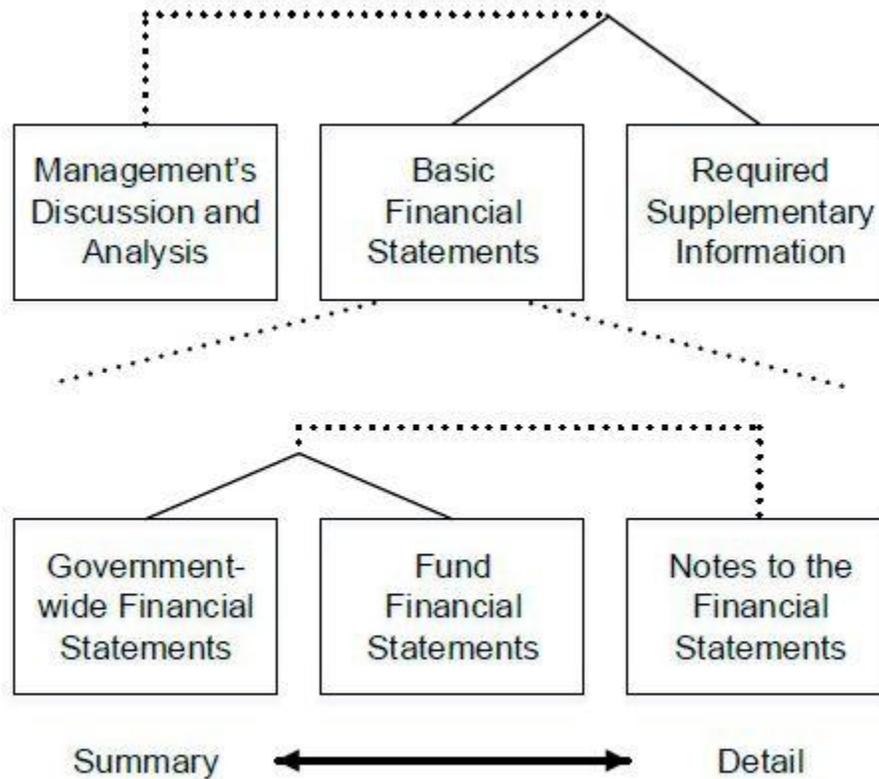
### Financial Highlights

- The liabilities and deferred inflows of resources exceed its assets and deferred outflows of resources at the close of the most recent fiscal year by \$796,823. Of this amount, there is a negative amount of unrestricted net position, \$1,759,882, due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68 and the related deferred inflows and outflows of resources.
- The Cooperative's total net position increased by \$285,124 compared to a decrease of \$771,895 in the previous year. This was mostly attributed to an increase in operating grants and revenues in the amount of \$686,104 as well as an increase in charges for services of \$237,713 during the current year.
- As of the close of the current fiscal year, the Cooperative's General fund reported an ending fund balance of \$2,528,517, an increase of \$571,876 in comparison with the prior year. This increase is due to a budgeted increase of \$306,724 and special education costs coming under budget by \$318,734.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,675,318, \$758,256 is restricted for medical assistance and \$94,943 is nonspendable fund balance.

## 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) Cooperative-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 Cannon Valley Special Education Cooperative 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:

### Major Features of the Cooperative-wide and Fund Financial Statements

	Fund Financial Statements		
	Cooperative-wide Statements	Governmental 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	Instances in which the Cooperative administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow 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 additions and deductions during the year, regardless of when cash is received or paid

**Cooperative-wide Financial Statements.** The *Cooperative-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 and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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. To assess the Cooperative’s overall health, you need to consider additional non-financial indicators such as changes in the Cooperative’s condition of school buildings and other facilities.

The *statement of activities* presents information showing how the Cooperative’s net position changed during the most recent fiscal year. All changes in net position 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 sick leave that will be paid out at \$10 to \$20 per day if the employee has 10 years of service with the Cooperative at the time of separation).

In the cooperative-wide financial statements, the Cooperative activities are shown in one category titled “governmental activities”:

- *Governmental Activities:* The Cooperative’s basic services are reported here, including special education instruction, cooperative support services, administration, and instructional support services. State grants and member charges for services finance most of these activities.

The Cooperative-wide financial statements can be found starting on page 26 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 are reported under governmental funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Cooperative-wide financial statements. However, unlike the Cooperative-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 Cooperative-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Cooperative-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 fund. 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 30 of this report.

**Notes to the Cooperative Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Cooperative-wide and fund financial statements. The notes to the cooperative financial statements can be found starting on page 35 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 Cannon Valley Special Education 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 62 of this report.

**Other Information.** Individual fund schedule and table can be found starting on page 71 of this report.

## Cooperative-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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$796,823 at the close of the most recent fiscal year.

### Cannon Valley Special Education Cooperative's Net Position

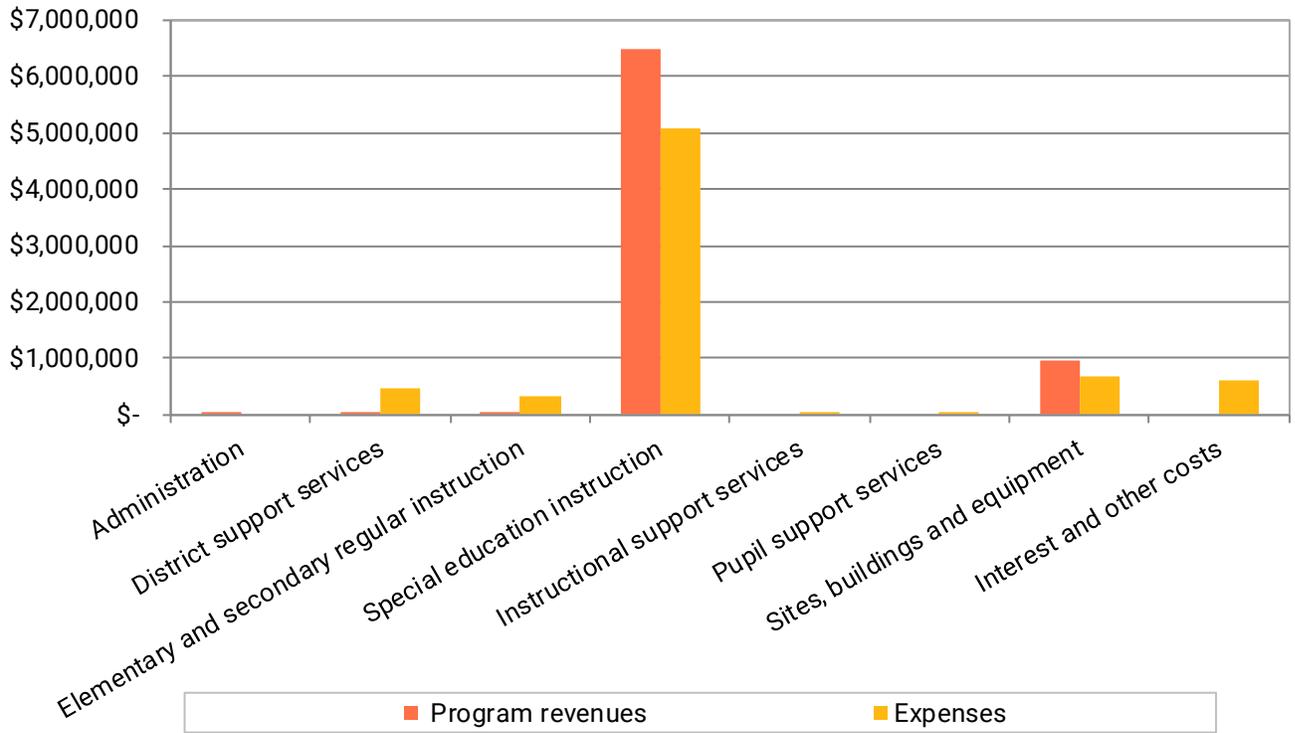
	Governmental Activities			Percent
	2022	2021	Increase (Decrease)	
Current and Other Assets	\$ 3,099,437	\$ 2,555,992	\$ 543,445	21.3 %
Capital Assets	9,405,249	3,770	9,401,479	249,376.1
Total Assets	<u>12,504,686</u>	<u>2,559,762</u>	<u>9,944,924</u>	388.5
Deferred Outflows of Resources				
Deferred pension resources	2,962,370	4,111,064	(1,148,694)	(27.9)
Deferred other post employment benefit resources	<u>7,500</u>	<u>-</u>	<u>7,500</u>	100.0
Total Deferred Outflows of Resources	<u>2,969,870</u>	<u>4,111,064</u>	<u>(1,141,194)</u>	(27.8)
Long-term Liabilities Outstanding	12,423,198	4,979,048	7,444,150	149.5
Other Liabilities	<u>620,816</u>	<u>730,585</u>	<u>(109,769)</u>	(15.0)
Total Liabilities	<u>13,044,014</u>	<u>5,709,633</u>	<u>7,334,381</u>	128.5
Deferred Inflows of Resources				
Deferred pension resources	<u>3,227,365</u>	<u>2,174,374</u>	<u>1,052,991</u>	48.4
Net Position				
Net investment in capital assets	204,803	(1,039)	205,842	(19,811.5)
Restricted	758,256	373,786	384,470	102.9
Unrestricted	<u>(1,759,882)</u>	<u>(1,585,928)</u>	<u>(173,954)</u>	11.0
Total Net Position	<u>\$ (796,823)</u>	<u>\$ (1,213,181)</u>	<u>\$ 416,358</u>	(34.3)

**Governmental Activities.** Governmental activities increased the Cooperative's net position by \$285,124. Key elements of this decrease are as follows:

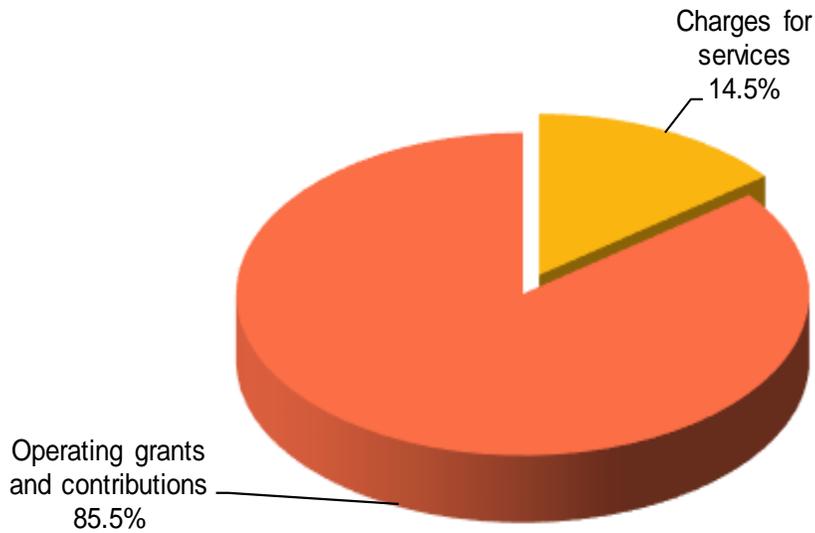
### Cannon Valley Special Education Cooperative's Changes in Net Position

	Governmental Activities		Increase (Decrease)	Percent
	2022	2021	Amounts	
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 1,082,295	\$ 844,582	\$ 237,713	28.1 %
Operating grants and contributions	6,395,928	5,709,824	686,104	12.0
General revenues				
Grants and contributions not restricted to specific programs	-	2,471	(2,471)	(100.0)
Other general revenues	2,375	550	1,825	331.8
Investment earnings	3,513	1,625	1,888	116.2
Total Revenues	<u>7,484,111</u>	<u>6,559,052</u>	<u>925,059</u>	14.1
<b>Expenses</b>				
Administration	-	22,228	(22,228)	(100.0)
District support services	480,377	608,069	(127,692)	(21.0)
Elementary and secondary regular instruction	307,375	279,996	27,379	9.8
Special education instruction	5,086,977	5,212,767	(125,790)	(2.4)
Instructional support services	4,807	1,072	3,735	348.4
Pupil support services	52,194	8,516	43,678	512.9
Sites, buildings and equipment	663,752	1,196,470	(532,718)	(44.5)
Interest and other costs	603,505	1,829	601,676	32,896.4
Total Expenses	<u>7,198,987</u>	<u>7,330,947</u>	<u>(131,960)</u>	(1.8)
Change in Net Position	285,124	(771,895)	1,057,019	(136.9)
Net Position, July 1	(1,213,181)	(441,286)	(771,895)	(174.9)
Prior Period Restatement	131,234	-	131,234	
Net Position, June 30	<u>\$ (796,823)</u>	<u>\$ (1,213,181)</u>	<u>\$ 416,358</u>	(34.3)

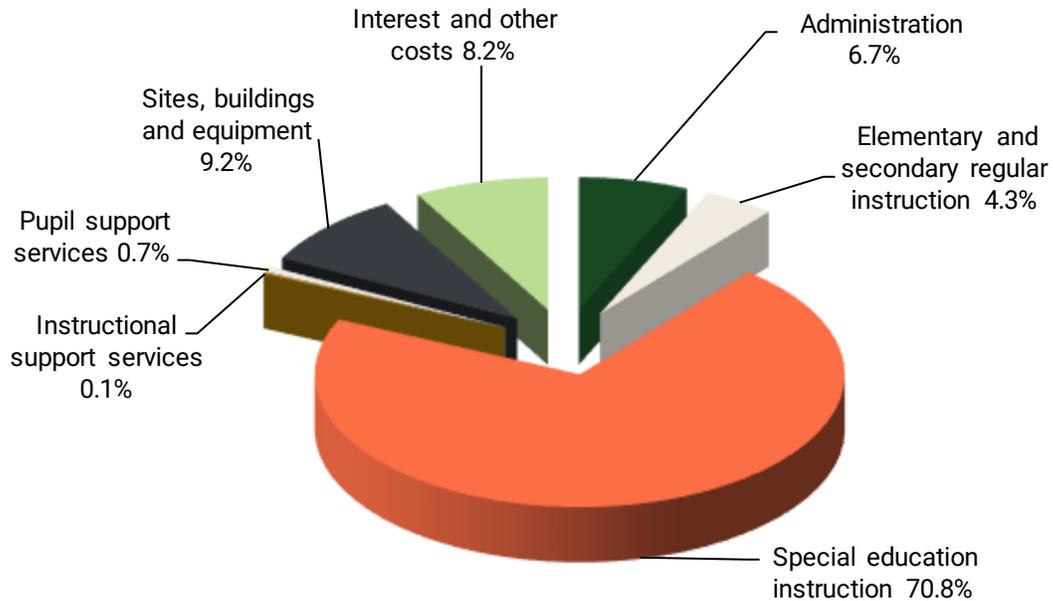
### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities



## Expenses by Program - Governmental Activities



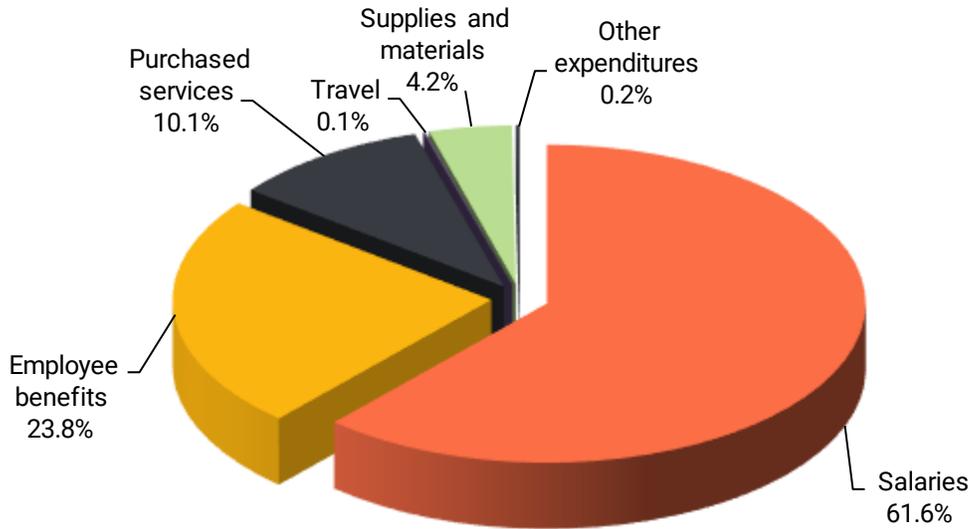
### Financial Analysis of the Cooperative's Funds

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of the Cooperative. At the end of the current year, unassigned fund balance of the General fund was \$1,675,318, while total fund balance was \$2,528,517. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 24.0 percent of total General fund expenditures. The Cooperative does not currently have a fund balance policy, but intends to set one in the near future.

## Current Expenditures by Category - General Fund



### General Fund Budgetary Highlights

The actual General fund revenues for the Cooperative of \$7,482,525 were 1.1 percent less than the budgeted revenues of \$7,564,678. The actual General fund expenditures for the Cooperative of \$6,986,249 were 3.7 percent less than the budgeted expenditures of \$7,257,954.

The implementation of GASB 87 included additional expenditures and lease proceeds of \$9,526,495.

Differences from the original adopted revenue budget of \$7,771,910 to the revised revenue budget of \$7,564,678 are attributed to the following factors:

- Member district reimbursements decreased due to a decrease in expenditures.
- Medical Assistance Revenue expectancy decreased due to a decrease in bill hours because of distance learning/COVID.

Differences from the original adopted expenditure budget of \$7,424,918 to the revised expenditure budget of \$7,257,954 are attributed to the following factors:

- Difficulty filling all licensed positions.
- Staff resignations.

## Capital Asset and Debt Administration

**Capital Assets.** The Cooperative's investment in capital assets for its governmental activities as of June 30, 2022 amounts to \$9,405,248 (net of accumulated depreciation/amortization). This investment in capital assets includes equipment and leased items. There was a decrease of \$125,016 in the Cooperative's investment in capital assets for the current fiscal year, With additions of \$206,925 and with depreciation/amortization expense of \$329,271. The following is a schedule of capital assets as of June 30, 2022.

### Cannon Valley Special Education Cooperative's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2022	2021	Increase (Decrease)
Equipment	\$ 128,082	\$ 3,770	\$ 124,312
Leased Building	9,209,167	-	9,209,167
Leased Equipment	68,000	-	68,000
Total	<u>\$ 9,405,249</u>	<u>\$ 3,770</u>	<u>\$ 9,401,479</u>

Additional information on the Cooperative's capital assets can be found in Note 3C on page 43 of this report.

**Long-term Debt.** At the end of the current fiscal year, the Cooperative had lease payables of \$9,200,446 and loans payable of \$1,000,000. This capital lease is for the acquisition of the real property and improvements at the Cooperative's current location and the loan is payable to four member districts and will be repaid as excess fund balance becomes available.

### Cannon Valley Special Education Cooperative's Outstanding Debt

	Governmental Activities		
	2022	2021	Increase (Decrease)
Lease Payable	\$ 9,200,446	\$ 4,809	\$ 9,195,637
Loan Payable	1,000,000	1,000,000	-
Total	<u>\$ 10,200,446</u>	<u>\$ 1,004,809</u>	<u>\$ 9,195,637</u>

Additional information on the Cooperative's capital lease payable can be found in Note 3D on page 43 of this report.

### Factors Bearing on the Cooperative's Future

At the time these financial statements were prepared and audited, the Cooperative was aware of the following circumstance that could significantly affect its financial health in the future.

- The Cooperative is dependent on state reimbursements and other grants with the remaining expenses billed to the member districts.
- Program enrollment is an important indicator of the stability of the Cooperative. All three programs had a waiting list for the majority of the 2021-2022 school year.

### Requests for Information

This financial report is designed to provide the Cooperative's citizens, taxpayers, customers, and investors 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 Business Office, Cannon Valley Special Education Cooperative, 200 Western Ave NW, Suite A, Faribault, MN 55021.

DISTRICT-WIDE FINANCIAL STATEMENTS  
CANNON VALLEY SPECIAL EDUCATION COOPERATIVE  
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Cannon Valley Special Education Cooperative  
Fairbault, Minnesota  
Statement of Net Position  
June 30, 2022

	Governmental Activities
<b>Assets</b>	
Cash and temporary investments	\$ 2,194,673
Receivables	
Intergovernmental	809,821
Prepaid items	94,943
Capital assets net of accumulated depreciation	9,405,249
Total Assets	12,504,686
<b>Deferred Outflows of Resources</b>	
Deferred pension resources	2,962,370
Deferred other post employment benefit resources	7,500
Total Deferred Outflows of Resources	2,969,870
<b>Liabilities</b>	
Salaries payable	231,823
Accounts and other payables	46,395
Due to other governments	63
Accrued interest payable	49,896
Payroll deductions payable	292,639
Noncurrent liabilities	
Due within one year	
Long-term liabilities	405,145
Due in more than one year	
Long-term liabilities	9,817,387
Net pension liability	2,118,238
Other post employment benefit liability	82,428
Total Liabilities	13,044,014
<b>Deferred Inflows of Resources</b>	
Deferred pension resources	3,155,030
Deferred other post employment benefit resources	72,335
Total Deferred Inflows of Resources	3,227,365
<b>Net Position</b>	
Net investment in capital assets	204,803
Restricted for	
Medical assistance	758,256
Unrestricted	(1,759,882)
Total Net Position	\$ (796,823)

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

Cannon Valley Special Education Cooperative

Fairbault, Minnesota

Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>Governmental Activities</b>				<b>Governmental Activities</b>
Administration	\$ -	\$ -	\$ 1,586	\$ 1,586
District support services	480,377	-	12,713	(467,664)
Elementary and secondary regular instruction	307,375	-	5,441	(301,934)
Special education instruction	5,086,977	129,889	6,376,188	1,419,100
Instructional support services	4,807	-	-	(4,807)
Pupil support services	52,194	-	-	(52,194)
Sites, buildings and equipment	663,752	952,406	-	288,654
Interest and other costs	603,505	-	-	(603,505)
<b>Total Governmental Activities</b>	<b>\$ 7,198,987</b>	<b>\$ 1,082,295</b>	<b>\$ 6,395,928</b>	<b>279,236</b>
<b>General Revenues</b>				
Investment earnings				3,513
Miscellaneous revenues				2,375
<b>Total General Revenues</b>				<b>5,888</b>
Change in Net Position				<b>285,124</b>
Net Position, July 1				(1,213,181)
Prior Period Adjustment Note (10)				131,234
Net Position, July 1 As Restated Note (10)				(1,081,947)
Net Position, June 30				<b>\$ (796,823)</b>

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

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FUND FINANCIAL STATEMENTS  
CANNON VALLEY SPECIAL EDUCATION COOPERATIVE  
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Cannon Valley Special Education Cooperative  
Fairbault, Minnesota  
Balance Sheet  
Governmental Fund  
June 30, 2022

	General
Assets	
Cash and temporary investments	\$ 2,194,673
Receivables	
Intergovernmental	809,821
Prepaid items	94,943
Total Assets	\$ 3,099,437
Liabilities and Fund Balances	
Liabilities	
Salaries payable	\$ 231,823
Accounts and other payables	46,395
Due to other governments	63
Payroll deductions payable	292,639
Total Liabilities	570,920
Fund Balances	
Nonspendable	
Prepaid items	94,943
Restricted for	
Medical assistance	758,256
Unassigned	1,675,318
Total Fund Balances	2,528,517
Total Liabilities and Fund Balances	\$ 3,099,437

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

Cannon Valley Special Education Cooperative  
Fairbault, Minnesota  
Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Governmental Fund  
June 30, 2022

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

Total Fund Balances - Governmental Funds	\$ 2,528,517
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	9,405,249
Governmental funds do not report long-term amounts related to pensions. Deferred outflows of pension resources	2,962,370
Deferred inflows of pension resources	(3,155,030)
Governmental funds do not report long-term amounts related to other post employment benefits. Deferred inflows of other postemployment benefits resources	(72,335)
Deferred outflows of other post employment benefit resources	7,500
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of	
Lease payable	(9,200,446)
Loan payable	(1,000,000)
Compensated absences payable	(22,086)
Other postemployment benefits liability	(82,428)
Net pension liability	(2,118,238)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(49,896)</u>
Total Net Position - Governmental Activities	<u><u>\$ (796,823)</u></u>

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

Cannon Valley Special Education Cooperative  
Fairbault, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund  
For the Year Ended June 30, 2022

	General
Revenues	
Other local revenue	\$ 954,781
Interest earned on investments	3,513
Revenue from state sources	5,945,852
Revenue from federal sources	448,490
Miscellaneous	129,889
Total Revenues	7,482,525
Expenditures	
Current	
District support services	479,659
Elementary and secondary regular instruction	281,427
Special education instruction	4,657,251
Instructional support services	4,807
Pupil support services	52,681
Sites, buildings and equipment	343,522
Capital outlay	
Elementary and secondary regular instruction	75,600
Sites, buildings and equipment	9,657,730
Debt service	
Principal	406,458
Interest and other costs	553,609
Total Expenditures	16,512,744
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,030,219)
Other Financing Sources (Uses)	
Capital lease proceeds	9,602,095
Net Change in Fund Balances	571,876
Fund Balances, July 1	1,825,407
Prior Period Adjustment (Note 10)	131,234
Fund Balances, June 30	\$ 2,528,517

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

Cannon Valley Special Education Cooperative  
 Fairbault, Minnesota  
 Reconciliation of the Statement of  
 Revenues, Expenditures and Changes in Fund Balances  
 to Statement of Activities  
 Governmental Fund  
 For the Year Ended June 30, 2022

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

Total Net Change in Fund Balances - Governmental Funds	\$ 571,876
<p>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 expense.</p>	
Capital outlay	9,733,420
Depreciation/Amortization expense	(329,271)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position</p>	
Sale of assets	(2,670)
<p>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 actives.</p>	
Principal repayment	406,458
Lease proceeds	(9,602,095)
<p>Interest on long-term debt in the statement of actives differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of actives, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(49,896)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(410,063)
Direct aid contributions	1,505
<p>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.</p>	
Compensated absences	(7,193)
Other postemployment benefits expense	(26,947)
	(34,140)
Change in Net Position - Governmental Activities	\$ 285,124

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

Cannon Valley Special Education Cooperative  
Fairbault, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2022

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Other local revenue	\$ 952,406	\$ 952,406	\$ 954,781	\$ 2,375
Interest earned on investments	2,000	2,000	3,513	1,513
Revenue from state sources	6,373,639	6,163,361	5,945,852	(217,509)
Revenue from federal sources	334,491	334,491	448,490	113,999
Miscellaneous	109,374	112,420	129,889	17,469
Total Revenues	<u>7,771,910</u>	<u>7,564,678</u>	<u>7,482,525</u>	<u>(82,153)</u>
<b>Expenditures</b>				
Current				
District support services	499,974	529,446	479,659	49,787
Elementary and secondary regular instruction	269,552	302,479	281,427	21,052
Special education instruction	5,305,330	4,975,985	4,657,251	318,734
Instructional support services	1,500	6,600	4,807	1,793
Pupil support services	23,000	74,891	52,681	22,210
Sites, buildings and equipment	369,127	406,128	343,522	62,606
Capital outlay				
Elementary and secondary regular instruction	-	-	75,600	(75,600)
Sites, buildings and equipment	952,406	-	9,657,730	(9,657,730)
Debt service				
Principal	3,528	367,153	406,458	(39,305)
Interest and other costs	501	595,272	553,609	41,663
Total Expenditures	<u>7,424,918</u>	<u>7,257,954</u>	<u>16,512,744</u>	<u>(9,254,790)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	346,992	306,724	(9,030,219)	(9,336,943)
<b>Other Financing Sources (Uses)</b>				
Capital lease proceeds	-	-	9,602,095	9,602,095
<b>Net Change in Fund Balances</b>	346,992	306,724	571,876	265,152
Fund Balances, July 1	1,825,407	1,825,407	1,825,407	-
Prior Period Adjustment (Note 10)	-	-	131,234	131,234
<b>Fund Balances, June 30</b>	<u>\$ 2,172,399</u>	<u>\$ 2,132,131</u>	<u>\$ 2,528,517</u>	<u>\$ 396,386</u>

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

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

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

**A. Reporting Entity**

The Cannon Valley Special Education Cooperative, (the Cooperative) is a public agency established by a Joint Powers Agreement entered into pursuant to Minnesota Statutes, Section 471.59. The four member school districts are listed in the Joint Powers Agreement. The primary objective of the Cooperative is to provide, by a cooperative effort, comprehensive special educational programs and other related services as can be efficiently and effectively operated by its group of four member Independent Districts. The four member Independent Districts are Faribault, Medford, Northfield and Owatonna Public Schools. The governing body of the Cooperative consists of one District Board member representative appointed by the respective school board of each member district.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the Cooperative's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the Cooperative. In addition, the Cooperative's financial statements are to include all component units - entities for which the Cooperative is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the Cooperative. There are no other entities for which the Cooperative is financially accountable.

**B. District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Cooperative.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *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. Interest and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

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

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. Federal and State revenue is recognized in the year to which it applies according to accounting principles generally accepted in the United States of America. Minnesota statutes include Federal and State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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.

Intergovernmental revenues and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the Cooperative and are recognized as revenue at that time.

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, entitlements and donations. On an accrual basis, 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.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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.

**Description of Funds**

The various Cooperative funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

**Major Governmental Fund**

The *General fund* is the Cooperative's primary operating fund. It accounts for all financial resources and transactions of the Cooperative.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance**

***Deposits and Investments***

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

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

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

The Cooperative has not adopted a formal investment policy.

Cannon Valley Special Education Cooperative  
 Faribault, Minnesota  
 Notes to the Cooperative Financial Statements  
 June 30, 2022

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

***Accounts Receivable***

All receivables are shown net of any allowance for uncollectible. No allowances for uncollectibles have been recorded. It is expected that all receivables will be fully collected within one year.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

***Capital Assets***

Capital assets include property, plant and equipment. Capital assets are defined by the Cooperative as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Assets	Years
Equipment and Machinery	3 - 20

***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***

It is the Cooperative's policy to permit certain employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the district-wide financial statements. The policy states that the individuals may carry over unused vacation days to be used, but not exceed the following contract year. The amount calculated as compensated absences payable for June 30, 2022 is \$22,086. The General fund is used to liquidate governmental compensated absences payable.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

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

***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 General fund is typically used to liquidate the governmental net pension liability.

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

	GERP	TRA	Total Pension Expense
Pension Expense	\$ 43,125	\$652,348	\$ 695,473

***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.

***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. Furthermore, the Cooperative has two additional 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.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

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

***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.

*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 Administrative Board (the Board), which is the Cooperative's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board 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 itself or by an official to which the governing body delegates the authority. The board of directors passed a resolution authorizing the Director of Special Services and the Business Manager to assign fund balances and its intended uses.

*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.

***Net Position***

In the district-wide financial statements, net position represents the difference between assets, 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 - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position 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.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Budgets are prepared for Cooperative governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds. Budgets presented in the report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. Final budgeted amounts represent the originally adopted budget as amended. The Cooperative amended the originally adopted budget for the General fund in the current year to account for a projected decline in member reimbursements and Medical assistance revenue.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not employed by the Cooperative because it is at present considered not necessary to assure effective budgeting control or to facilitate effective cash planning and control.

**Excess of Actual Expenditures over Appropriations**

For the year ended June 30, 2022, expenditures exceeded appropriations in the following fund:

<u>Fund</u>	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
General	\$ 16,512,744	\$ 7,257,954	\$ 9,254,790

The excess expenditures were funded by other financing sources exceeding 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 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 School Board, the Cooperative maintains deposits at those depository banks 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 includes the legal investments described below, as well as certain first mortgage notes, and certain other State or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Cooperative Treasurer or in a financial institution other than that furnishing the collateral.

At year end, the Cooperative's carrying amount of deposits was \$372,401 and the bank balance was \$532,846. Of the bank balance, \$250,000 was covered by Federal depository insurance. The remaining balance was covered by collateral held by the pledging financial institution's trust department in the Cooperative's name.

Cannon Valley Special Education Cooperative  
 Faribault, Minnesota  
 Notes to the Cooperative Financial Statements  
 June 30, 2022

**Note 3: Detailed Notes on all Funds (Continued)**

As of June 30, 2022, the Cooperative had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribtuion (2)	Amount
Pooled Investment at Amortized Costs			
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	Under 6 months	<u>\$ 1,822,272</u>

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

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

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. The weighted average days to maturity are less than six months. The Cooperative's investment in the MSDLAF is equal to the value of pool shares. The MSDLAF had a carrying amount of \$1,822,272 at year end.

A reconciliation of cash and temporary investments as shown on the financial statements for the Cooperative follows:

Deposits	\$ 372,401
Investments	<u>1,822,272</u>
 Total Cash and Temporary Investments	 <u>\$ 2,194,673</u>

**B. Intergovernmental Receivables**

A summary of all intergovernmental receivables as of June 30, 2022 is as follows:

	General
State Department of Education	
State grants	\$ 781,345
Federal flow through monies	<u>28,476</u>
 Total	 <u>\$ 809,821</u>

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 3: Detailed Notes on all Funds (Continued)**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Restated Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital Assets Being Depreciated/Amortized				
Equipment	\$ 29,950	\$ 131,325	\$ (11,000)	\$ 150,275
Leased Building	-	9,526,495	-	9,526,495
Leased Equipment	-	75,600	-	75,600
Total Capital Assets Being Depreciated/Amortized	<u>29,950</u>	<u>9,733,420</u>	<u>(11,000)</u>	<u>9,752,370</u>
Less Accumulated Depreciation/Amortization				
Equipment	(26,180)	(4,343)	8,330	(22,193)
Leased Building	-	(317,328)	-	(317,328)
Leased Equipment	-	(7,600)	-	(7,600)
Total Accumulated Depreciation/Amortized	<u>(26,180)</u>	<u>(329,271)</u>	<u>8,330</u>	<u>(347,121)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 3,770</u>	<u>\$ 9,404,149</u>	<u>\$ (2,670)</u>	<u>\$ 9,405,249</u>

Depreciation/Amortization expense was charged to governmental activities as follows:

Elementary and Secondary Regular Instruction	\$ 7,560
Special Education Instruction	1,100
Site, Buildings and Equipment	<u>320,611</u>
Total Depreciation/Amortization Expense	<u>\$ 329,271</u>

**D. Long-term Debt**

Lease Payable

Lease agreements are summarized as follows:

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Faribo West Mall	\$ 7,526,495	6.50 %	06/01/21	15 Years	Variable Annually	\$ 9,128,442
EO Johnson Copier	75,600	7.50	04/01/22	5 Years	1,505 Monthly	<u>72,004</u>
						<u>\$ 9,200,446</u>

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 3: Detailed Notes on all Funds (Continued)**

The Faribo West Mall was leased for the Cooperative beginning June 1, 2021 for a term of fifteen years at a fixed interest rate of 6.50%. This lease is not renewable

The E.O. Johnson copiers was leased for the Cooperative beginning April 1, 2022 for a term of five years at a fixed interest rate of 6.50%. This lease is not renewable

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

Year Ending June 30,	Principal Payments	Interest Payments	Total
2023	\$ 383,059	\$ 587,412	\$ 970,471
2024	408,853	561,618	970,471
2025	436,386	534,086	970,472
2026	465,774	504,698	970,472
2027	541,662	471,913	1,013,575
2028 - 2032	3,274,959	1,772,175	5,047,134
2033 - 2036	3,689,752	510,358	4,200,110
<b>Total</b>	<b>\$9,200,445</b>	<b>\$4,942,260</b>	<b>\$11,231,291</b>

Loans Payable

During fiscal year 2018, the Cooperative borrowed a total of \$1,000,000 from four districts to assist with cash flow. The loan will be repaid to the district's as excess fund balance is available. The balances owed to each district as of June 30, 2022 is as follows:

District	Amount
Faribault Public Schools	\$ 318,827
Medford Public Schools	41,686
Northfield Public Schools	284,471
Owatonna Public Schools	355,016
<b>Total</b>	<b>\$ 1,000,000</b>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Restated Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Lease Payable	\$ 4,809	\$ 9,602,095	\$ (406,458)	\$ 9,200,446	\$ 383,059
Loans Payable	1,000,000	-	-	1,000,000	-
Compensated Absences Payable	14,893	27,160	(19,967)	22,086	22,086
Governmental Activities					
<b>Total Long-term Liabilities</b>	<b>\$ 1,019,702</b>	<b>\$ 9,629,255</b>	<b>\$ (426,425)</b>	<b>\$ 10,222,532</b>	<b>\$ 405,145</b>

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 4: Defined Benefit Pension Plans - Statewide**

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

Disclosures relating to these plans follow:

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

**1. Plan Description**

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

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

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**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 of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(is) 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:

Plan	Ending June 30, 2020		Ending June 30, 2021		Ending June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.92%	11.00%	12.13%	11.00%	12.34%
Coordinated	7.50%	7.92%	7.50%	8.13%	7.50%	8.34%

The Cooperative's contributions to TRA for the years ending June 30, 2022, 2021 and 2020 were \$205,953, \$184,590, and \$178,743, respectively. The Cooperative's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The following is a reconciliation of employer contributions in TRA's fiscal year 2021 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 Changes in Fiduciary Net Position	\$ 448,829,000
Add Employer Contributions not Related to Future Contribution Efforts	379,000
Deduct TRA'S Contributions not Included in Allocation	<u>(538,000)</u>
 Total Employer Contributions	 448,670,000
Total Non-employer Contributions	<u>37,840,000</u>
 Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	 <u>\$ 486,510,000</u>

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

**4. Actuarial Assumptions**

The total pension liability in the June 30, 2021 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, 2021
Experience study	June 30, 2021
	June 5, 2019 (demographic assumptions)
	November 6, 2017 (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 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table,

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2019 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2020 valuation:

- The investment return assumption was changed from 7.5 percent to 7.00 percent

**5. Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**6. Net Pension Liability**

At June 30, 2022, the Cooperative reported a liability of \$1,592,973 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 0.0364 percent which was a decrease of 0.0026 percent from its proportion measured as of June 30, 2020.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**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	\$ 1,592,973
State's Proportionate Share of Net Pension Liability Associated with the Cooperative	134,452

For the year ended June 30, 2022, the Cooperative recognized pension expense of \$650,843. It also recognized \$1,505 as an increase to pension expense for the support provided by direct aid.

On June 30, 2022, the Cooperative had deferred resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 56,026	\$ 44,087
Changes in Actuarial Assumptions	1,291,672	1,288,276
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,319,510
Changes in Proportion	972,609	-
Contributions to TRA Subsequent to the Measurement Date	<u>205,953</u>	<u>-</u>
 Total	 <u><u>\$ 2,526,260</u></u>	 <u><u>\$ 2,651,873</u></u>

Deferred outflows of resources totaling \$205,953 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, 2023. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2023	\$ 669,989
2024	(602,257)
2025	(107,955)
2026	(186,528)
2027	(198,519)
Thereafter	93,704

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**7. 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.

Cooperative's Proportionate Share of NPL		
1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
\$ 3,217,883	\$ 1,592,973	\$ 260,417

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.

**8. Pension Plan Fiduciary Net Position**

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

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

**1. Plan Description**

The Cooperative participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota statutes*, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the Cooperative, other than teachers, are covered by the General Employees Plan. General Employee 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.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**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. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the

June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**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 the fiscal year 2021 and the Cooperative was required to contribute 7.50 percent for Coordinated Plan. The Cooperative's contributions to the General Employees Fund for the years ending June 30, 2022, 2021 and 2020 were \$78,161, \$66,363, and \$87,587, respectively. The Cooperative's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**4. Pension Costs**

General Employee Fund Pension Costs

At June 30, 2022, the Cooperative reported a liability of \$525,265 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. 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 \$16,071. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The Cooperative's proportion was 0.0123 percent which was a decrease of 0.0041 percent from its proportion measured as of June 30, 2020.

Cooperative's Proportionate Share of the Net Pension Liability	\$ 525,265
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Cooperative	<u>16,071</u>
Total	<u><u>\$ 541,336</u></u>

For the year ended June 30, 2022 the Cooperative recognized pension expense of \$41,828 for its proportionate share of General Employees Plan's pension expense. In addition, the Cooperative recognized an additional \$1,297 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, 2022 the Cooperative reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 4,566	\$ 16,695
Changes in Actuarial Assumptions	320,717	15,794
Net Difference Between Projected and Actual Earnings on Plan Investments	-	439,648
Changes in Proportion	32,666	31,020
Contributions to GERF Subsequent to the Measurement Date	<u>78,161</u>	<u>-</u>
Total	<u><u>\$ 436,110</u></u>	<u><u>\$ 503,157</u></u>

Cannon Valley Special Education Cooperative  
 Faribault, Minnesota  
 Notes to the Cooperative Financial Statements  
 June 30, 2022

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The \$78,161 reported as deferred outflows of resources related to pensions resulting from the Cooperative's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ (4,345)
2024	(18,637)
2025	1,847
2026	(124,073)

**5. Actuarial Assumptions**

The total pension liability in the June 30, 2022, 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. 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 29 years of service and 6.0 percent per year thereafter. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2022 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. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	33.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	25.00	0.75
International Equity	<u>16.50</u>	5.30
Total	<u><u>100.00 %</u></u>	

**6. Discount Rate**

The discount rate used to measure the total pension liability in 2022 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**7. Pension Liability Sensitivity**

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

<u>Cooperative's Proportionate Share of NPL</u>		
<u>1 Percent Decrease (5.50%)</u>	<u>Current (6.50%)</u>	<u>1 Percent Increase (7.50%)</u>
\$ 1,071,273	\$ 525,265	\$ 77,233

**8. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 5: Other Information**

**A. Risk Management**

The Cooperative is exposed to various risks of loss related to torts: theft or, 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.

**Note 6: Postemployment Benefits Other Than Pensions**

**A. Plan Description**

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

At June 30, 2022, the following employees were covered by the benefit terms:

Active Plan Members

78

**B. Funding Policy**

Contribution requirements are also negotiated between the Cooperative and union representatives. The Cooperative contributes various amounts based on contracts in effect at retirement for eligible retired plan members. During the year the Cooperative had implicit contributions in the amount of \$470. There were no direct contributions made to the plan during the year.

**C. Actuarial Methods and Assumptions**

The Cooperative's total OPEB liability of \$82,428 was measured as of July 1, 2021, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2021.

The total OPEB liability in the July 1, 2021 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%
Medical Trend Rate	6.50% as of July 1, 2021 grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Dental Trend Rate	N/A

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

The discount rate used to measure the total OPEB liability was 2.10 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to 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, 2021 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.

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

	Total OPEB Liability (a)
Balance at June 30, 2021	\$ 94,719
Changes for the Year:	
Service Cost	34,121
Interest	3,992
Assumption Changes	8,035
Differences between Expected and Actual Experience	(58,291)
Benefit Payments	(148)
Net Changes	(12,291)
Balance at June 30, 2022	\$ 82,428

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 3.10% to 2.10%.

Since the prior measurement date, the following benefit terms changed:

- No changes noted.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Notes to the Cooperative Financial Statements  
June 30, 2022

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

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

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

1 Percent Decrease (1.10%)	Current (2.10%)	1 Percent Increase (3.10%)
\$ 89,296	\$ 82,428	\$ 75,988

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 (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent decreasing to 6.00 percent) than the current Healthcare Cost Trend Rate:

1 Percent Decrease (5.50% Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.50% Decreasing to 5.00%)	1 Percent Increase (7.50% Decreasing to 6.00%)
\$ 70,357	\$ 82,428	\$ 97,440

**F. OPEB Expense**

For the year ended June 30, 2022, the Cooperative recognized OPEB expense of \$26,947. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 64,594
Changes in actuarial assumptions	7,030	7,738
Contributions Subsequent to the Measurement Date	470	-
Total	\$ 7,500	\$ 72,332

Cannon Valley Special Education Cooperative  
 Faribault, Minnesota  
 Notes to the Cooperative Financial Statements  
 June 30, 2022

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

Deferred outflows of resources totaling \$470 related to OPEB resulting from the District’s 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2023	\$	10,549
2024		10,549
2025		10,549
2026		10,549
2027		10,542
Thereafter		12,564

**Note 7: Defined Contribution Plan**

The Cooperative provides eligible employees future retirement benefits through the Cooperative’s 403(b) Plan (the Plan). Employees of the Cooperative are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a Cooperative match of employee contributions up to the qualifying amounts set forth by the Governing Board. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The Cooperative contributions for the year ended June 30, 2022 was \$18,983. The employee contributions was \$29,750 for the year ended June 30, 2022.

**Note 8: Flexible Benefit Plan**

The Cooperative has a flexible benefit plan that is classified as a “cafeteria plan” under Section 125 of the Internal Revenue Code. All employee groups of the Cooperative are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is from July 1 to June 30, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the Cooperative is contingently liable for claims against the total amount of participants’ annual contributions for the health care portion of the plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the Cooperative directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

All plan property and income attributable to that property is solely the property of the Cooperative, subject to the claims of the Cooperative’s general creditors. Participants’ rights under the plan are equal to those of general creditors of the Cooperative in an amount equal to eligible health care and dependent care expenses incurred by the participants. The Cooperative believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Cannon Valley Special Education Cooperative  
 Faribault, Minnesota  
 Notes to the Cooperative Financial Statements  
 June 30, 2022

**Note 9: Commitments**

State Programs

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

**Note 10: Prior Period Adjustment**

A prior period adjustment was required in the governmental activities and the General fund to restate beginning accounts payable balances and record expenditures in the proper period. As a result of the adjustment of beginning balances, the following schedule reconciles the previously reported June 30, 2021 balances to the July 1, 2021 financial statement balances:

Fund	June 30, 2022		
	Net Position June 30, 2021 as Previously Reported	Prior Period Adjustment	Net Position July 1, 2021 as Restated
General Fund	\$ 1,825,407	\$ 131,234	\$ 1,956,641
Governmental activities	\$ (1,213,181)	\$ 131,234	\$ (1,081,947)

**Note 11: COVID-19**

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE  
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Required Supplementary Information  
For the Year Ended June 30, 2022

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

Fiscal Year Ending	Cooperative's Proportion of the Net Pension Liability	Cooperative's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	Cooperative's Covered Payroll (c)	Cooperative's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0364 %	\$ 1,592,973	\$ 134,452	\$ 1,727,425	\$ 2,270,481	0.7 %	86.6 %
06/30/20	0.0390	2,881,372	241,648	3,123,020	2,256,861	1.3	75.5
06/30/19	0.0370	2,358,388	208,843	2,567,231	2,070,586	1.1	78.2
06/30/18	0.0326	2,049,651	192,577	2,242,228	1,802,933	1.1	78.1

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

**Schedule of Employer's TRA Contributions**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Cooperative's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/22	\$ 205,953	\$ 205,953	\$ -	\$ 2,469,462	8.34 %
06/30/21	184,590	184,590	-	2,270,481	8.13
06/30/20	178,743	178,743	-	2,256,861	7.92
06/30/19	159,642	159,642	-	2,070,856	7.71

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

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

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

Changes in Actuarial Assumptions

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 - No changes noted.

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.

Changes in Plan Provisions

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 percent each January 1 to 1.0 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1 percent each year until reaching the ultimate rate of 1.5 percent 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 percent if the funded ratio was at least 90 percent 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 percent to 3.0 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5 percent to 7.5 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

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

Year Ending	Cooperative's Proportion of the Net Pension Liability	Cooperative's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	Cooperative's Covered Payroll (c)	Cooperative's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0123 %	\$ 525,265	\$ 16,071	\$ 541,336	\$ 884,846	0.6 %	87.0 %
06/30/20	0.0164	983,255	30,310	1,013,565	1,167,823	0.8	79.0
06/30/19	0.0174	962,007	29,999	992,006	1,233,504	0.8	80.2
06/30/18	0.0153	848,781	27,838	876,619	1,029,773	0.8	79.5

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

**Schedule of Employer's PERA Contributions**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Cooperative's Covered Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
06/30/22	\$ 78,161	\$ 78,161	\$ -	\$ 1,042,150	7.50 %
06/30/21	66,363	66,363	-	884,846	7.50
06/30/20	87,587	87,587	-	1,167,823	7.50
06/30/19	92,513	92,513	-	1,233,504	7.50

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

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

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

Changes in Actuarial Assumptions

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.

Changes in Plan Provisions

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.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 34,121	\$ 33,318	\$ 32,348	\$ 37,568	\$ 36,474
Interest	3,992	2,848	3,984	2,797	1,472
Changes in benefit terms	-	-	(28,325)	-	-
Differences between expected and actual experience	(58,291)	-	(21,747)	-	-
Changes in assumptions	8,035	-	(12,382)	-	-
Benefit payments	(148)	-	(318)	(153)	-
Net Change in Total OPEB Liability	(12,291)	36,166	(26,440)	40,212	37,946
Total OPEB Liability - Beginning	94,719	58,553	84,993	44,781	6,835
Total OPEB Liability - Ending	<u>\$ 82,428</u>	<u>\$ 94,719</u>	<u>\$ 58,553</u>	<u>\$ 84,993</u>	<u>\$ 44,781</u>
Covered - Employee Payroll	\$ 3,469,111	\$ 3,709,959	\$ 3,601,902	\$ 3,074,397	\$ 2,984,851
Cooperative's Total OPEB Liability as a Percentage of Covered Employee Payroll	2.38 %	2.55 %	1.63 %	2.76 %	1.50 %

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

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

Changes in Actuarial Assumptions

2022 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale. The salary increase rates for non-teachers were updated to reflect the latest experience study. The withdrawal rates were updated to reflect the latest experience study. The inflation rate was changed from 2.50% to 2.00%. The discount rate was changed from 3.10% to 2.10%. These changes increased the liability \$8,035.

2021 - The health care trend rates were changed to better anticipate short term and long term medical increases.

2020 - None

2019 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale. The salary increase rates were changed from a flat 33.00% 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%.

2018 - Not applicable. This was the first actuarial valuation completed for the Cooperative.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

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

Changes in Benefits

2022 - None

2021 - None

2020 - None

2019 - The subsidized post-employment benefit for nonunion administrators was replaced with a defined contribution benefit (not valued under GASB 75). The years of service required to be eligible for a benefit (implicit rate subsidy) for non-TRA employees was increased from three years to five years.

2018 – Not applicable. This was the first actuarial valuation completed for the Cooperative.

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INDIVIDUAL FUND SCHEDULE AND TABLE

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE  
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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Cannon Valley Special Education Cooperative

Fairbault, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Continued on the Following Pages)

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Other local revenue	\$ 952,406	\$ 952,406	\$ 954,781	\$ 2,375
Interest earned on investments	2,000	2,000	3,513	1,513
Revenue from state sources	6,373,639	6,163,361	5,945,852	(217,509)
Revenue from federal sources	334,491	334,491	448,490	113,999
Miscellaneous	109,374	112,420	129,889	17,469
Total Revenues	<u>7,771,910</u>	<u>7,564,678</u>	<u>7,482,525</u>	<u>(82,153)</u>
<b>Expenditures</b>				
<b>Current</b>				
District support services				
Salaries	195,432	201,686	198,133	3,553
Employee benefits	75,802	82,419	80,078	2,341
Purchased services	149,249	168,750	140,495	28,255
Travel	1,000	1,000	3	997
Supplies and materials	73,991	71,091	55,427	15,664
Other expenditures	4,500	4,500	5,523	(1,023)
Total district support services	<u>499,974</u>	<u>529,446</u>	<u>479,659</u>	<u>49,787</u>
Elementary and secondary regular instruction				
Salaries	170,815	189,919	180,355	9,564
Employee benefits	70,937	74,635	69,957	4,678
Purchased services	11,200	12,950	10,447	2,503
Supplies and materials	16,600	24,975	20,668	4,307
Total elementary and secondary regular instruction	<u>269,552</u>	<u>302,479</u>	<u>281,427</u>	<u>21,052</u>
Special education instruction				
General special education				
Salaries	221,398	119,794	117,270	2,524
Employee benefits	69,525	103,937	82,906	21,031
Purchased services	42,500	88,700	59,017	29,683
Supplies and materials	900	2,000	1,927	73
Total general special education	<u>334,323</u>	<u>314,431</u>	<u>261,120</u>	<u>53,311</u>
Speech/language impaired				
Salaries	49,077	52,577	51,245	1,332
Employee benefits	8,631	9,793	9,528	265
Purchased services	1,500	-	-	-
Supplies and materials	-	200	189	11
Total speech/language impaired	<u>59,208</u>	<u>62,570</u>	<u>60,962</u>	<u>1,608</u>

Cannon Valley Special Education Cooperative  
Fairbault, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Developmental cognitive disabilities mild to moderate				
Salaries	824,627	730,318	666,665	63,653
Employee benefits	384,969	298,699	224,305	74,394
Purchased services	18,300	11,500	8,240	3,260
Supplies and materials	16,000	19,900	18,035	1,865
Total development cognitive disabilities mild to moderate	<u>1,243,896</u>	<u>1,060,417</u>	<u>917,245</u>	<u>143,172</u>
Physically impaired				
Purchased services	200	1,500	501	999
Deaf/hard of hearing				
Purchased services	5,200	5,000	-	5,000
Emotional/behavioral disorder				
Salaries	1,655,174	1,553,977	1,454,480	99,497
Employee benefits	785,545	641,756	578,117	63,639
Purchased services	39,500	44,500	20,106	24,394
Supplies and materials	32,000	22,050	21,119	931
Other expenditures	1,600	1,600	1,293	307
Total emotional/behavior disorder	<u>2,513,819</u>	<u>2,263,883</u>	<u>2,075,115</u>	<u>188,768</u>
Autistic spectrum disorder				
Salaries	391,248	510,072	565,300	(55,228)
Employee benefits	223,537	195,055	219,364	(24,309)
Purchased services	10,500	5,000	19,981	(14,981)
Supplies and materials	12,500	17,750	16,448	1,302
Total autistic spectrum disorder	<u>637,785</u>	<u>727,877</u>	<u>821,093</u>	<u>(93,216)</u>
Special education - aggregate				
Salaries	329,853	338,949	339,508	(559)
Employee benefits	119,046	121,458	115,522	5,936
Purchased services	57,000	70,400	42,665	27,735
Supplies and materials	3,500	8,000	22,092	(14,092)
Other expenditures	1,500	1,500	1,428	72
Total special education - aggregate	<u>510,899</u>	<u>540,307</u>	<u>521,215</u>	<u>19,092</u>
Total special education instruction	<u>5,305,330</u>	<u>4,975,985</u>	<u>4,657,251</u>	<u>318,734</u>

Cannon Valley Special Education Cooperative  
Fairbault, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Instructional support services				
Purchased services	500	6,000	4,750	1,250
Travel	-	100	57	43
Supplies and materials	1,000	500	-	500
Total instructional support services	<u>1,500</u>	<u>6,600</u>	<u>4,807</u>	<u>1,793</u>
Pupil support services				
Salaries	-	19,036	6,464	12,572
Employee benefits	-	3,355	1,100	2,255
Purchased services	18,500	21,000	16,054	4,946
Travel	500	1,000	-	1,000
Supplies and materials	4,000	30,500	29,063	1,437
Total pupil support services	<u>23,000</u>	<u>74,891</u>	<u>52,681</u>	<u>22,210</u>
Sites, buildings and equipment				
Salaries	90,000	18,000	18,706	(706)
Employee benefits	52,627	2,878	2,995	(117)
Purchased services	156,500	298,500	262,895	35,605
Supplies and materials	70,000	86,100	58,332	27,768
Other expenditures	-	650	594	56
Total sites, buildings and equipment	<u>369,127</u>	<u>406,128</u>	<u>343,522</u>	<u>62,606</u>
Total current	<u>6,468,483</u>	<u>6,295,529</u>	<u>5,819,347</u>	<u>476,182</u>
Capital outlay				
Elementary and secondary regular instruction	-	-	75,600	(75,600)
Sites, buildings and equipment	952,406	-	9,657,730	(9,657,730)
Total capital outlay	<u>952,406</u>	<u>-</u>	<u>9,733,330</u>	<u>(9,733,330)</u>
Debt service				
Principal	3,528	367,153	406,458	(39,305)
Interest and other costs	501	595,272	553,609	41,663
Total debt service	<u>4,029</u>	<u>962,425</u>	<u>960,067</u>	<u>2,358</u>
Total Expenditures	<u>7,424,918</u>	<u>7,257,954</u>	<u>16,512,744</u>	<u>(9,254,790)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	346,992	306,724	(9,030,219)	(9,336,943)
Other Financing Sources (Uses)				
Capital lease proceeds	-	-	9,602,095	9,602,095
Net Change in Fund Balances	346,992	306,724	571,876	265,152
Fund Balances, July 1	1,825,407	1,825,407	1,825,407	-
Prior Period Adjustment (Note 10)	-	-	131,234	131,234
Fund Balances, June 30	<u>\$ 2,172,399</u>	<u>\$ 2,132,131</u>	<u>\$ 2,528,517</u>	<u>\$ 396,386</u>



**Fiscal Compliance Report - 6/30/2022**  
**District: CANNON VALLEY SPEC ED (6094-52)**

	Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>			
Total Revenue	\$7,482,525	<u>\$7,482,524</u>	\$1
Total Expenditures	\$16,512,744	<u>\$16,512,742</u>	\$2
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$94,943	<u>\$94,943</u>	\$0
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0
4.14 Operating Debt	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0
4.24 Operating Capital	\$0	<u>\$0</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0
4.28 Learning & Development	\$0	<u>\$0</u>	\$0
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0
4.41 Basic Skills Programs	\$0	<u>\$1</u>	(\$1)
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	\$0
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	\$0
4.67 LTFM	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$758,256	<u>\$758,257</u>	(\$1)
4.73 PPP Loan	\$0	<u>\$0</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0
<i>Committed:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	\$0
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$1,675,318	<u>\$1,675,318</u>	\$0
<b>02 FOOD SERVICES</b>			
Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust			

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

Minnesota Department of Education

	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$0	<u>\$0</u>	<u>\$0</u>
4.32 E.C.F.E	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$0	<u>\$0</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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

**45 OPEB IRREVOCABLE TRUST**

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

**47 OPEB DEBT SERVICE**

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

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OTHER REPORTS

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE  
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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**INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

Members of the Administrative Board  
Cannon Valley Special Education Cooperative  
Faribault, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cannon Valley Special Education Cooperative, Faribault, Minnesota (the Cooperative) as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively compromise the Cooperatives basic financial statements, and have issued our report thereon dated December 2, 2022.

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, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the 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**  
Mankato, Minnesota  
December 2, 2022

**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**

Members of the Administrative Board  
Cannon Valley Special Education Cooperative  
Faribault, 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 and the major fund of the Cannon Valley Special Education Cooperative, Faribault, Minnesota, (the Cooperative) as of and for the year ended June 30, 2022, 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 2, 2022.

**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 a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Findings and Responses as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

## 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. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Cooperative's compliance with those requirements. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or statutes set forth by the State of Minnesota.

## The Cooperative's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Cooperative's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Cooperative's responses was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## 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 not suitable for any other purpose.



**Abdo**  
Mankato, Minnesota  
December 2, 2022



Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Schedule of Findings and Responses  
For the Year Ended June 30, 2022

**Finding**

**Description**

**2022-001**

**Segregation of Duties**

*Condition:* During our audit we reviewed internal control procedures and found the Cooperative to have limited segregation of duties in the areas as noted below.

*Criteria:* There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

*Effect:* The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the Cooperative.

**Internal Control Over Cash Receipts**

*Cause:* As a result of the small staff, the Finance and Payroll Coordinator sets up and maintains customers, posts to the general ledger, prepares deposits, takes deposits to the bank, generates billing statements, and maintains receipts and accounts receivables. The Executive Assistant opens mail.

*Recommendation:* While we recognize staff is not large enough to eliminate this deficiency, it is important that the Board is aware of this condition and monitor all financial information.

**Internal Control Over Cash Disbursements**

*Cause:* As a result of the small staff, the Finance and Payroll Coordinator maintains and controls checks, matches invoices to purchase orders, maintains and posts to the general ledger, prepares checks and maintains purchase journal and accounts payable records. The Executive Assistant sets up and maintains vendors and opens mail.

*Recommendation:* While we recognize staff is not large enough to eliminate this deficiency, it is important that the Board is aware of this condition and monitor all financial information.

**Internal Control Over Payroll**

*Cause:* As a result of the small staff, the Finance and Payroll Coordinator sets up and maintains employee records, runs payroll, maintains and posts to the general ledger, initiates payroll transfers for direct deposit, reconciles bank accounts and prepares payroll tax returns.

*Recommendation:* While we recognize staff is not large enough to eliminate this deficiency, it is important that the Board is aware of this condition and monitor all financial information.

**Management Response:**

The Cooperative is aware of the limited segregation of duties and will continue to review internal controls and make changes when they are feasible.

Cannon Valley Special Education Cooperative  
Faribault, Minnesota  
Schedule of Findings and Responses (Continued)  
For the Year Ended June 30, 2022

<u><b>Finding</b></u>	<u><b>Description</b></u>
<b>2022-002</b>	<b>Financial Report Preparation</b>
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the Cooperative is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the Cooperative should agree its financial software to the numbers reported in the financial statements.

*Management Response:*

Management is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of small cooperatives. Each year, the Cooperative has a presentation from our auditor to the Board of Education after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight of management and Board to monitor the deficiency.



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**Corrective Action Plan (CAP):**

**2022-001 Segregation of Duties**

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The Cooperative is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

3. Official Responsible for Ensuring CAP

Sarah McGuire, Executive Director, is the official responsible for ensuring continued implementation of certain control measures.

4. Planned Completion Date for CAP

Continuous.

5. Plan to Monitor Completion of CAP

The Cannon Valley Special Education Board will be monitoring this corrective action plan.

Sincerely,

A handwritten signature in black ink, appearing to read 'SMG', with a long horizontal flourish extending to the right.

Sarah McGuire  
Executive Director



---

**Corrective Action Plan (CAP):**

**2022-002 Financial Report Preparation**

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The Cooperative will continue to have auditor prepare the financial statements and will continue to have the board review the financial statements. The Cooperative is aware of the deficiency and is relying on oversight of management and Board to monitor the deficiency.

3. Official Responsible for Ensuring CAP

Sarah McGuire, Executive Director, is the official responsible for ensuring corrective action plan.

4. Planned Completion Date for CAP

Continuous.

5. Plan to Monitor Completion of CAP

The Cannon Valley Special Education Board will be monitoring this corrective action plan.

Sincerely,

A handwritten signature in black ink, appearing to read 'SM', with a long horizontal flourish extending to the right.

Sarah McGuire  
Executive Director