



Financial Statements  
June 30, 2022

East Central Center for Exceptional Children

# East Central Center for Exceptional Children

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June 30, 2022

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## East Central Center for Exceptional Children

List of Officials (Unaudited)

Year Ended June 30, 2022

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Name	District	Position
Jenna Helseth	Carrington	Chair
Robert Toso	Pingree-Buchanan	Vice Chair
Avolt Baumbach	New Rockford-Sheyenne	Board Member
Natalie Becker	New Rockford-Sheyenne	Board Member
Jordan Brown	Oberon	Board Member
Kent Dennis	Fessenden-Bowdon	Board Member
Kris Kuehn	Carrington	Board Member
Matthew Lokemoen	Kensal	Board Member
<b>Administration</b>		
Ashly Wolsky	Director	
Renae Duchscherer	Business Manager	



## Independent Auditor's Report

To the School Board  
East Central Center for Exceptional Children  
New Rockford, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities and the major fund of the East Central Center for Exceptional Children ("the Center") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Center, as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center'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 Center's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of Center's share of the net OPEB liability, schedule of Center contributions – OPEB, schedule of Center's share of net pension liability, and schedule of Center contributions – pensions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2023, on our consideration of the Center'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 Center'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 Center's internal control over financial reporting and compliance.



Fargo, North Dakota  
February 3, 2023

This section of the annual financial report for East Central Center for Exceptional Children (the Center) presents management's discussion and analysis of the financial performance of the East Central Center for Exceptional Children during the fiscal year that ended on June 30, 2022. This information is presented in conjunction with the audited financial statements of East Central Center for Exceptional Children, which immediately follow this section.

### **Financial Highlights**

Key financial highlights for the 2021-2022 fiscal year include the following:

Current year revenues totaled \$2,660,330 and expenses totaled \$2,494,995 which resulted in a decrease in net deficit of \$165,335.

- The total liabilities are \$1,434,354. This includes accounts payable, OPEB liabilities, accrued wages and benefits payable, compensated absences, and net pension liabilities.
- At year-end, the Center had \$1,307,727 in net pension liabilities and \$17,510 in OPEB liabilities.

### **Overview of the Financial Statements**

The annual report consists of three parts - Independent Auditors' Report, required supplementary information, which includes the Management's Discussion and Analysis, and the Financial Statements. The financial statements include two kinds of statements that present different views of the Center.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Center's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Center, reporting the Center's operations in more detail than the government-wide statements.
- The general fund statements tell how basic services such as administration and special education were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The following outline shows how the various parts of this annual report are arranged and related to one another.

1. Management's Discussion and Analysis
2. Basic Financial Statements
  - Government-Wide Financial Statements
  - Fund Financial Statements

Footnote 1 summarizes the major features of the Center's financial statements, including the portion of the Center's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

### **Government-Wide Statements**

The government-wide statements report information about the Center as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Center's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Center's net position and how they have changed. Net position – the difference between the Center's assets and deferred outflows of resources, and liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

In the government-wide financial statements the District's activities are shown in as governmental activities. This covers the District's basic services of special education and administration.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's general fund. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

The District has only the general fund. The general fund is a governmental fund that focuses on:

1. how cash and other financial assets that can readily be converted to cash flow in and out and
2. the balances left at year-end that are available for spending.

Consequently, the general fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the general fund statements that explains the relationship (or differences) between them.



**Financial Analysis of the District as a Whole**

*Net Deficit* – The Center's combined net deficit was \$1,702,203 on June 30, 2022.

Statement of Net Position  
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets	\$ 582,141	\$ 545,938
Capital assets	52,255	58,265
Total assets	<u>634,396</u>	<u>604,203</u>
Deferred Outflows of Resources	<u>795,489</u>	<u>1,071,079</u>
Liabilities		
Other liabilities	84,335	110,969
Long-term liabilities	1,350,019	2,797,443
Total liabilities	<u>1,434,354</u>	<u>2,908,412</u>
Deferred Inflows of Resources	<u>1,697,734</u>	<u>634,408</u>
Net Position (Deficit)		
Investment in capital assets	52,255	58,265
Unrestricted	<u>(1,754,458)</u>	<u>(1,925,803)</u>
Total net deficit	<u><u>\$ (1,702,203)</u></u>	<u><u>\$ (1,867,538)</u></u>

Statement of Activities  
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues		
Charges for service	\$ 1,807,707	\$ 1,746,819
Operating grants and contributions	377,992	405,268
General		
Federal grants	461,582	390,721
Miscellaneous revenues	13,049	12,893
Total revenues	<u>2,660,330</u>	<u>2,555,701</u>
Expenses		
Administration	305,239	260,948
Instruction	<u>2,189,756</u>	<u>2,279,231</u>
Total expenses	<u>2,494,995</u>	<u>2,540,179</u>
Change in Net Deficit	165,335	15,522
Net Deficit - Beginning	<u>(1,867,538)</u>	<u>(1,883,060)</u>
Net Deficit - Ending	<u><u>\$ (1,702,203)</u></u>	<u><u>\$ (1,867,538)</u></u>

Total revenue is comprised primarily of federal funds to cover eligible expenditures and fees for services from our member school districts.

Total costs of all programs and services was \$2,494,995. The Center's expenses are entirely related to educating and caring for special education students and the administration of those services.

Total revenues exceed expenses, decreasing net deficit by \$165,335.

#### **Financial Analysis of the Center's General Fund**

The financial performance of the Center as a whole is reflected in its general fund. The general fund completed the year with a fund balance of \$497,806 which is an increase of \$62,837 from the prior year.

### General Fund

The General Fund includes the primary operations of the Center in providing special educational services to students and the administration of those services.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of	Percent
	2022	2021	Increase (Decrease)	Increase (Decrease)
Local sources	\$ 13,049	\$ 12,893	\$ 156	1.2%
State sources	377,992	405,268	(27,276)	-6.7%
Federal sources	461,582	390,721	70,861	18.1%
Interdistrict sources	1,807,707	1,746,819	60,888	3.5%
<b>Total General Fund Revenues</b>	<b>\$ 2,660,330</b>	<b>\$ 2,555,701</b>	<b>\$ 104,629</b>	<b>4.1%</b>

Total General Fund Revenue increased by \$104,629 or 4.1% from the previous year due to increases in Federal funding from grants. The Center continues to maximize the use of federal funds which allows the Center to help keep their costs to the districts low.

The following schedule presents a summary of General Fund Expenditures.

	Year Ended June 30,		Amount of	Percent
	2022	2021	Increase (Decrease)	Increase (Decrease)
Salaries and benefits	\$ 1,875,069	\$ 1,614,820	\$ 260,249	16.1%
Purchased services	622,726	628,696	(5,970)	-0.9%
Supplies and materials	35,313	24,058	11,255	46.8%
Travel	38,389	34,602	3,787	10.9%
Other expenditures	25,996	18,646	7,350	39.4%
<b>Total General Fund Expenditures</b>	<b>\$ 2,597,493</b>	<b>\$ 2,320,822</b>	<b>\$ 276,671</b>	<b>11.9%</b>

Total General Fund Expenditures increased by \$276,671 or 11.9% from the previous year. The Center had an increase in salaries and benefits in 2022 due to negotiated raises and benefit increases, as well as the payment of an early retirement incentive.

### **General Fund Budgetary Highlights**

A summary of the East Central Center for Exceptional Children actual financial results for fiscal year 2022 as compared to budget is presented below.

Total revenue is comprised primarily of federal funds and from fees for services from our member school districts. Total revenues were \$118,535 less than budget for the year ended June 30, 2022.

From an expenditure standpoint, total expenditures were \$172,720 less than budget. Expenditures are broken down by departmental area. In general, East Central Center for Exceptional Children has attempted to operate in a conservative manner and contain costs where appropriate.

### **Long-Term Liabilities**

At year-end, the Center had \$1,350,019 in long-term liabilities at year end, consisting of compensated absences of \$24,782, net OPEB liability of \$17,510, and net pension liability of \$1,307,727.

### **Factors Bearing on the Future of the East Central Center for Exceptional Children**

The East Central Center for Exceptional Children has benefited from adequate support of member school districts. The Center has also benefited from continued funding from the Federal Government. These elements have enabled the Center to meet many of its instructional and administrative staffing needs.

### **Contacting the Financial Management of the East Central Center for Exceptional Children**

This financial report is designed to provide the user a general overview of the financial results of East Central Center for Exceptional Children. If you have any questions about this report or would like additional information, contact the Business Manager, East Central Center for Exceptional Children, 16 S 8<sup>th</sup> Street, New Rockford, North Dakota.

# East Central Center for Exceptional Children

## Statement of Net Position

June 30, 2022

<b>Assets</b>	
Cash and cash equivalents	\$ 359,178
Due from other government	214,703
Prepaid expenses	<u>8,260</u>
Total current assets	<u>582,141</u>
<b>Capital Assets</b>	
Land	5,000
Building	125,355
Equipment	172,181
Less accumulated depreciation	<u>(250,281)</u>
Total capital assets, net of depreciation	<u>52,255</u>
Total Assets	<u>634,396</u>
<b>Deferred Outflows of Resources</b>	
OPEB	8,326
Pension plans	<u>787,163</u>
Total deferred outflows of resources	<u>795,489</u>
<b>Liabilities</b>	
Accounts payable	49,807
Accrued wages and benefits payable	34,528
Long-term liabilities	
Portion due within one year - compensated absences	24,782
OPEB liability - due in more than one year	17,510
Net pension liability - due in more than one year	<u>1,307,727</u>
Total liabilities	<u>1,434,354</u>
<b>Deferred Inflows of Resources</b>	
OPEB	13,541
Pension plans	<u>1,684,193</u>
Total deferred inflows of resources	<u>1,697,734</u>
<b>Net Position (Deficit)</b>	
Investment in capital assets	52,255
Unrestricted	<u>(1,754,458)</u>
Total net deficit	<u>\$ (1,702,203)</u>

# East Central Center for Exceptional Children

## Statement of Activities Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Administration	\$ 305,239	\$ -	\$ -	\$ (305,239)
Instruction	<u>2,189,756</u>	<u>1,807,707</u>	<u>377,992</u>	<u>(4,057)</u>
Total governmental activities	<u>\$ 2,494,995</u>	<u>\$ 1,807,707</u>	<u>\$ 377,992</u>	<u>(309,296)</u>
General Revenues				
Revenue from federal sources				461,582
Other general revenues				<u>13,049</u>
Total general revenues				<u>474,631</u>
Change in net deficit				165,335
Net deficit - beginning				<u>(1,867,538)</u>
Net deficit - ending				<u>\$ (1,702,203)</u>

# East Central Center for Exceptional Children

Governmental Fund

Balance Sheet

June 30, 2022

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Assets	
Cash and cash equivalents	\$ 359,178
Due from other governments	214,703
Prepaid expenses	<u>8,260</u>
Total assets	<u>\$ 582,141</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 49,807
Accrued wages and benefits payable	<u>34,528</u>
Total liabilities	<u>84,335</u>
Fund Balance	
Unassigned	<u>497,806</u>
Total liabilities and fund balance	<u>\$ 582,141</u>

East Central Center for Exceptional Children  
Governmental Fund  
Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2022

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Total Fund Balance - Governmental Fund	\$ 497,806
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	52,255
Compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(24,782)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	(902,245)
Net pension liability and OPEB liability are not due and payable in the current period, and, therefore are not reported as a liability in the current period and are not reported in the funds.	<u>(1,325,237)</u>
Total Net Deficit - Governmental Activities	<u>\$ (1,702,203)</u>



East Central Center for Exceptional Children  
Governmental Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Year Ended June 30, 2022

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Revenues	
Local sources	\$ 13,049
Federal sources	461,582
State sources	377,992
Interdistrict sources	<u>1,807,707</u>
Total revenues	<u>2,660,330</u>
Expenditures	
Administration	305,238
Special education instruction	792,705
Preschool instruction	62,609
Learning disabilities	968,545
Multiple handicapped	400,928
Restricted-Federal	<u>67,468</u>
Total expenditures	<u>2,597,493</u>
Net Change in Fund Balance	62,837
Fund Balance, Beginning of Year	<u>434,969</u>
Fund Balance, End of Year	<u><u>\$ 497,806</u></u>

# East Central Center for Exceptional Children

Governmental Fund

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities Year Ended June 30, 2022

Net Change in Fund Balance - Governmental Fund	\$ 62,837
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays were exceeded by depreciation expense and disposals in the current period.	(6,010)
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This is the net effect of these differences in the treatment of long-term debt and related items.	3,175
In the statement of activities the cost of other postemployment benefits earned net of employee contributions is reported as OPEB expense. In the governmental funds, however, the contributions are reported as expense.	1,670
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	103,663
Change in Net Position of Governmental Activities	<u>\$ 165,335</u>

# East Central Center for Exceptional Children

Governmental Fund

## Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual

Year Ended June 30, 2022

	Original & Final Budget	Actual	Variance with Final Budget
Revenues			
Local sources	\$ 13,350	\$ 13,049	\$ (301)
Federal sources	377,452	461,582	84,130
State sources	525,054	377,992	(147,062)
Interdistrict sources	1,863,009	1,807,707	(55,302)
Total revenues	2,778,865	2,660,330	(118,535)
Expenditures			
Administration	287,588	305,238	(17,650)
Special education instruction	408,061	792,705	(384,644)
Preschool instruction	94,674	62,609	32,065
Learning disabilities	1,142,438	968,545	173,893
Multiple handicapped	460,000	400,928	59,072
Restricted-Federal	377,452	67,468	309,984
Total expenditures	2,770,213	2,597,493	172,720
Net Change in Fund Balance	\$ 8,652	62,837	\$ 54,185
Fund Balance, Beginning of Year		434,969	
Fund Balance, End of Year		\$ 497,806	

**Note 1 - Summary of Significant Accounting Policies****A. Reporting Entity**

The Center's Board is comprised of member school district representatives and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. Generally accepted accounting principles require that the financial statements of the reporting entity include those of the East Central Center for Exceptional Children (the primary government) and its component units. A component unit would be included in the Center's reporting entity because of the significance of their operational or financial relationship with the Center. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the Center.

**B. Government-Wide Financial Statement Presentation**

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Center.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

The government-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 the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The Center applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**C. Fund Financial Statement Presentation**

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

- *Revenue Recognition* – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Center generally considers revenues to be available if they are collected within 60 days after year-end. Revenues from local sources consist primarily of table valuation assessments. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to the North Dakota Department of Public Instruction. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- *Recording of Expenditures* – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

**Description of Funds**

The Center has only one fund which has been established by the North Dakota Department of Public Instruction. A description of the fund included in this report is as follows:

**Major Governmental Fund**

*General Fund* – The general fund is the general operating fund of the Center. It is used to account for all financial resources.

**D. Other Significant Accounting Policies****Budgeting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general fund.

The Center’s Board follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year for the general fund. The Board must adopt the final budget on or before August 15. The final budget must be filed with the county auditor by August 25.

The budget may be amended during the year by the Board for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the Board and the approval must be noted in the proceedings of the Board. All appropriations lapse at the close of the fiscal year. The balance of the appropriation reverts back to each fund and is available for future appropriation.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, money market accounts, and highly liquid investments with an original maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize local governments to invest in: a) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) certificates of deposit fully insured by the federal deposit insurance corporation or the state, d) obligations of the state. Investments are stated at cost. The Center has no investments other than fully insured and collateralized demand and time deposits.

**Receivables**

All receivables are shown net of any allowance for uncollectible accounts. No allowances for uncollectible accounts have been recorded.

**Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. The Center maintains a threshold level of \$3,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the Center, no salvage value is taken into consideration for depreciation purposes. Estimated useful lives are as follows:

Buildings and building improvements	50 years
Equipment	10 years
Office equipment	5 years

The Center does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

**Compensated Absences**

The liability for compensated absences in the government-wide statements consists of earned but unused accumulated sick leave and paid time off. A liability for the amount is reported in the governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which amounts for employees who are currently eligible to receive termination payment and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Teachers do not receive paid time off but are paid only for the number of days they are required to work each year. Unused sick leave is reimbursable at a rate of 25% of the accumulated sick days based on current salary upon termination of employment, if hired prior to the 2014-2015 school year and employed by the Center for at least five full-time equivalent years and has not been dismissed for cause. Other employees are granted paid time off leave in varying amounts.

Personal days are not reimbursable for any unused portion; therefore, the Center has no liability for unused personal days.

**Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and Teachers' Fund for Retirement (TFFR) and additions to/deductions from NDPERS' and TFFR's fiduciary net position have been determined on the same basis as they are reported by NDPERS and TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Center has four items that qualify for reporting in this category. They are the contributions made to OPEB plans after the measurement date and prior to the fiscal year-end, contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net OPEB liability not included in OPEB expense, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resource. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Center has two items that qualify for reporting in this category. They are changes in the net OPEB liability not included in OPEB expense and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

### **Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Center's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### **Fund Balance**

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The Center's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- *Nonspendable Fund Balance* – comprised of funds that cannot be spent because they are either not in or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- *Restricted Fund Balances* – comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the Center's governing board and that remain binding unless removed by the governing board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.



- *Assigned Fund Balance* – comprised of unrestricted constrained by the Center's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the Center's intended use of those resources. An assigned fund balance cannot be a negative number. The action to assign fund balance may be taken after the end of the fiscal year.
- *Unassigned Fund Balance* – residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Center's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Center's policy to use fund balance in the following order: committed, assigned, and unassigned.

### **Risk Management**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center pays an annual premium to Farmers Union Insurance for its general liability, auto, and inland marine insurance coverage. The coverage is limited to losses of one million dollars per occurrence.

The Center also participates in the North Dakota Fire and Tornado Fund. The Center pays an annual premium to the State Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the Center with blanket fidelity bond coverage in the amount of \$758,000 for its main employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Center participates in the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**Estimates**

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

**Note 2 - Deposits**

In accordance with North Dakota statutes, the Center maintains deposits at those depositories authorized by the School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

*Custodial Credit Risk* – In the case of deposits, this is the risk that in the event of a bank failure, the Center's deposits may be lost. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage. All school district funds were adequately insured or collateralized by government securities.

*Credit Risk* – this is the risk that the counterparty of an investment will not fulfill its obligations. The Center's policy for limiting the credit risk of investment is to only invest in certificates of deposit fully insured or collateralized by pledge of governmental securities.

*Interest Rate* – this is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Center manages its exposure to declines in fair value by investing only in certificates of deposit that are quite stable in rate of return and relatively short term.

*Concentration of Credit Risk* – The Center does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

At June 30, 2022, the Center had deposits of \$359,178. At June 30, 2022, all deposits were insured or collateralized by securities held by the Center's agent in the Center's name.

**Note 3 - Capital Assets**

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

	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
Capital Assets Not Being Depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital Assets Being Depreciated				
Buildings	125,355	-	-	125,355
Equipment	172,181	-	-	172,181
Total capital assets being depreciated	297,536	-	-	297,536
Less Accumulated Depreciation for				
Buildings	76,154	3,288	-	79,442
Equipment	168,117	2,722	-	170,839
Total accumulated depreciation	244,271	6,010	-	250,281
Total capital assets, net	\$ 58,265	\$ (6,010)	\$ -	\$ 52,255

Depreciation expense for the year ended June 30, 2022 was charged to the following functions/programs:

Depreciation Expense - Instruction	\$ 6,010
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**Note 4 - Long-Term Liabilities**

Changes in long-term liabilities during the year ended June 30, 2022 are as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due within One Year
Compensated absences	\$ 27,957	\$ 38,500	\$ 41,675	\$ 24,782	\$ 24,782

*Compensated Absences* – This amount consists of compensated absences as described in Note 1.

**Note 5 - Other Post-Employment Benefits Plan****North Dakota Public Employees Retirement System**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. . Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2022, the Center reported a liability of \$17,510 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Center's proportion was 0.031483 percent, which was a decrease of 0.006197 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Center recognized OPEB expense of \$3,925. At June 30, 2022, the Center 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	\$ 1,005	\$ 480
Changes of assumptions	2,712	-
Net difference between projected and actual investment earnings on OPEB plan investments	-	5,999
Changes in proportion and differences between employer contributions and proportionate share of contributions	993	7,062
Employer contributions subsequent to the measurement date	3,616	-
	<u>\$ 8,326</u>	<u>\$ 13,541</u>

The \$3,616 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>OPEB Expense</u>
2023	\$ (1,976)
2024	(2,019)
2025	(2,233)
2026	(2,455)
2027	(148)

### Actuarial Assumptions

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:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Mortality Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term</u>
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	40%	0.50%
International Equities	21%	6.25%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Plans as of June 30, 2021, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employer's proportionate share of the net OPEB liability	\$ 25,970	\$ 17,510	\$ 10,352

**Note 6 - Defined Benefit Pension Plans**

Substantially all employees of the Center are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Teachers' Fund for Retirement (TFFR) or the North Dakota Public Employees Retirement System (NDPERS), both of which are administered on a state-wide basis.

For the year ended June 30, 2022, the Center reported its proportionate share of deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
NDPERS	\$ 661,745	\$ 481,668	\$ 972,601	\$ 95,745
TFFR	125,418	826,059	711,592	(65,299)
Total all plans	<u>\$ 787,163</u>	<u>\$ 1,307,727</u>	<u>\$ 1,684,193</u>	<u>\$ 30,446</u>

Disclosures relating to these plans are as follows:

### **North Dakota Public Employees Retirement System (NDPERS)**

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

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

#### **B. Benefits Provided**

##### **Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.



**Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

**Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

**C. Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

**D. Net Pension Liability**

At June 30, 2022, the Center reported a liability of \$481,668 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 Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021, the Center's proportion was 0.046212 percent, which was an increase of 0.004315 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Center recognized pension expense of \$95,745. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,316	\$ 49,161
Changes of assumptions	533,113	695,068
Net difference between projected and actual earnings	-	178,643
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,287	49,729
Employer contributions subsequent to the measurement date	43,029	-
Total	<u>\$ 661,745</u>	<u>\$ 972,601</u>

The \$43,029 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Years Ended June 30,	Pension Expense
2023	\$ (45,754)
2024	(79,892)
2025	(66,333)
2026	(161,906)

**E. Actuarial Assumptions**

The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75%, including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equities	30%	6.00%
International Equities	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	7.30%
Global Real Assets	19%	4.77%

**F. Discount Rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

#### **G. Pension Liability Sensitivity**

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
NDPERS discount rate	6.00%	7.00%	8.00%
District's proportionate share of the NDPERS net pension liability	\$ 766,014	\$ 481,668	\$ 244,905

#### **H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

#### **Teachers' Fund for Retirement (TFFR)**

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

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death, and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

## **B. Benefits Provided**

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

### *Tier 1 Grandfathered*

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

### *Tier 1 Non-grandfathered*

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

*Tier 2*

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65 or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option, or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

*Death and Disability Benefits*

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

**C. Contributions**

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

**D. Net Pension Liability**

At June 30, 2022, the Center reported a liability of \$826,059 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 Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2021, the Center's proportion was 0.078399 percent, which was a decrease of 0.014361 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Center recognized pension revenue of \$65,299. At June 30, 2022, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,739	\$ 34,837
Changes of assumptions	29,015	-
Net difference between projected and actual earnings on pension plan investments	-	242,047
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	434,708
Employer contributions subsequent to the measurement date	90,664	-
Total	<u>\$ 125,418</u>	<u>\$ 711,592</u>

The \$90,664 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Years Ended June 30,	Pension Expense
2023	\$ (153,756)
2024	(128,628)
2025	(135,871)
2026	(148,171)
2027	(60,916)
Thereafter	(49,496)

**E. 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:

Inflation	2.30%
Salary increases	3.8% to 14.8%, varying by service, including inflation and productivity
Investment Rate of Return	7.25% net of investment expenses, including inflation
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2021, funding actuarial valuation for TFFR.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.



The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2021, is summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Global Equities	55%	6.9%
Global Fixed Income	26%	0.7%
Global Real Assets	18%	4.8%
Cash Equivalents	1%	-1.0%

#### F. Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2021, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2021. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

#### G. Pension Liability Sensitivity

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2021, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TFFR discount rate	6.25%	7.25%	8.25%
District's proportionate share of the TFFR net pension liability	\$ 1,240,358	\$ 826,059	\$ 482,026

#### H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2021.pdf>

**Note 7 - Commitments and Contingencies****Federal and State Revenue**

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

**Contingencies**

The Center does not have any knowledge of legal claims pending at year-end. The possibility exists that there could be possible claims that the Center is currently not aware as of June 30, 2022. In either case the Center believes the resolution of these matters will not have a material adverse effect on its financial statements.



Required Supplementary Information  
June 30, 2022

East Central Center for Exceptional Children

East Central Center for Exceptional Children  
Schedule of Center's Share of Net OPEB Liability and Schedule of Center's Contributions  
June 30, 2022

**Schedule of Center's Share of OPEB Liability  
Last 10 Fiscal Years\***

Measurement Date	Employer's Proportionate Share (Percentage) of the Net OPEB Liability (Asset)	Employer's Proportionate Share (Amount) of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2021	0.031483%	\$ 17,510	\$ 343,250	5.10%	76.63%
6/30/2020	0.037680%	\$ 31,696	\$ 429,537	7.38%	63.38%
6/30/2019	0.045232%	\$ 36,330	\$ 504,727	7.20%	71.66%
6/30/2018	0.043114%	\$ 33,955	\$ 471,766	7.20%	61.89%
6/30/2017	0.041777%	\$ 33,046	\$ 451,962	7.31%	59.78%

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

**Schedule of Center's Contributions  
Last 10 Fiscal Years \***

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2022	\$ 3,616	\$ 3,616	\$ -	\$ 317,235	1.14%
6/30/2021	\$ 4,128	\$ 4,023	\$ 105	\$ 343,250	1.17%
6/30/2020	\$ 5,046	\$ 5,406	\$ (360)	\$ 429,537	1.26%
6/30/2019	\$ 5,870	\$ 5,305	\$ 565	\$ 504,727	1.05%
6/30/2018	\$ 5,533	\$ 5,437	\$ 96	\$ 471,766	1.15%

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

**Notes to the Schedule of Center's Share of Net OPEB Liability and Schedule of Center's Contributions**

**For the year ended June 30, 2022:**

*Changes of Benefit Terms*

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

There were no changes of actuarial assumptions.

**For the year ended June 30, 2021:**

*Changes of Benefit Terms*

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

*Changes of Assumptions*

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**For the year ended June 30, 2020:**

*Changes of Benefit Terms*

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

*Changes of Assumptions*

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

East Central Center for Exceptional Children  
Schedule of Center's Share of Net OPEB Liability and Schedule of Center's Contributions  
June 30, 2022

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**For the year ended June 30, 2019:**

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**For the year ended June 30, 2018:**

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

East Central Center for Exceptional Children  
Schedule of Center's Share of Net Pension Liability  
June 30, 2022

**Schedule of Center's Share of Net Pension Liability  
Last 10 Fiscal Years\***

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS	6/30/2021	0.046212%	\$ 481,668	\$ 514,958	93.5%	78.3%
NDPERS	6/30/2020	0.041897%	1,318,089	504,727	261.1%	48.9%
NDPERS	6/30/2019	0.048524%	568,736	488,020	116.5%	71.7%
NDPERS	6/30/2018	0.045922%	774,984	460,281	168.4%	62.8%
NDPERS	6/30/2017	0.044273%	711,612	417,753	170.3%	62.0%
NDPERS	6/30/2016	0.040767%	397,314	316,671	125.5%	70.5%
NDPERS	6/30/2015	0.033320%	226,570	212,388	106.7%	77.2%
NDPERS	6/30/2014	0.025213%	160,032	212,385	75.3%	77.7%
TFFR	6/30/2021	0.078399%	\$ 826,059	\$ 604,224	136.7%	75.7%
TFFR	6/30/2020	0.092760%	1,419,701	676,836	209.8%	63.4%
TFFR	6/30/2019	0.113219%	1,559,309	794,262	196.3%	65.5%
TFFR	6/30/2018	0.117094%	1,560,702	796,018	196.1%	65.5%
TFFR	6/30/2017	0.118493%	1,627,531	799,793	203.5%	63.2%
TFFR	6/30/2016	0.118969%	1,742,956	772,971	225.5%	59.2%
TFFR	6/30/2015	0.130676%	1,709,053	803,793	212.6%	62.1%
TFFR	6/30/2014	0.128986%	1,360,650	753,226	180.6%	66.6%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Center will present information for those years for which information is available.

East Central Center for Exceptional Children  
Schedule of Center's Contributions  
June 30, 2022

**Schedule of Center's Contributions  
Last 10 Fiscal Years\***

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
NDPERS	6/30/2022	\$ 43,029	\$ 43,029	\$ -	\$ 604,340	7.12%
NDPERS	6/30/2021	36,871	36,871	-	514,958	7.16%
NDPERS	6/30/2020	35,937	35,937	-	504,727	7.12%
NDPERS	6/30/2019	34,747	34,747	-	488,020	7.12%
NDPERS	6/30/2018	32,772	32,772	-	460,281	7.12%
NDPERS	6/30/2017	29,744	29,744	-	417,753	7.12%
NDPERS	6/30/2016	22,547	22,547	-	316,671	7.12%
NDPERS	6/30/2015	15,122	15,122	-	212,388	7.12%
TFFR	6/30/2022	\$ 90,664	\$ 90,664	\$ -	\$ 711,090	12.75%
TFFR	6/30/2021	77,038	77,038	-	604,224	12.75%
TFFR	6/30/2020	86,297	86,297	-	676,836	12.75%
TFFR	6/30/2019	101,268	101,268	-	794,262	12.75%
TFFR	6/30/2018	98,467	98,467	-	796,018	12.37%
TFFR	6/30/2017	93,016	93,016	-	799,793	11.63%
TFFR	6/30/2016	88,582	88,582	-	772,971	11.46%
TFFR	6/30/2015	90,989	90,989	-	803,793	11.32%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Center will present information for those years for which information is available.



**Notes to the Schedule of Center's Share of Net Pension Liability and Schedule of Center's Contributions**

**North Dakota Public Employees Retirement System**

**For the year ended June 30, 2022:**

*Changes of Benefit Terms*

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

*Changes of Assumptions*

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**For the year ended June 30, 2021:**

*Changes of Benefit Terms*

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

*Changes of Assumptions*

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**For the year ended June 30, 2020:**

*Changes of Benefit Terms*

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

*Changes of Assumptions*

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

**For the year ended June 30, 2019:**

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**For the year ended June 30, 2018:**

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

### **North Dakota Teachers' Fund for Retirement**

#### **For the year ended June 30, 2022:**

There were no changes of benefit terms.

#### *Changes of Assumptions*

Amounts reported in 2021 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated March 19, 2020.

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

#### **For the year ended June 30, 2021:**

There were no changes of benefit terms.

#### *Changes of Assumptions*

Amounts reported in 2021 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated March 19, 2020.

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

**For the year ended June 30, 2020:**

There were no changes of benefit terms.

*Changes of Assumptions*

Amounts reported in 2016-2020 reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

**For the year ended June 30, 2019:**

There were no changes of benefit terms.

*Changes of Assumptions*

Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement



Additional Reports  
June 30, 2022

East Central Center for Exceptional Children



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the School Board  
East Central Center for Exceptional Children  
New Rockford, North Dakota

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 and the major fund of East Central Center for Exceptional Children ("the Center"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 3, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

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

## **East Central Center for Exceptional Children's Response to Findings**

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

## **Purpose of this Report**

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

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

Fargo, North Dakota

February 3, 2023

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**Section I –Financial Statement Findings**

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**2022-001      Segregation of Duties  
Material Weakness**

*Condition* – The Center does not have enough staff to adequately separate duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation.

*Criteria* – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

*Cause* – There is a limited amount of office employees involved in the internal control process.

*Effect* – Inadequate segregation of duties could adversely affect the Center's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

*Recommendation* – The functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the Center. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

*View of Responsible Officials* – There is no disagreement with the audit finding.



**2022-002      Preparation of Financial Statements**  
**Material Weakness**

*Condition* – The Center does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

*Criteria* – A good system of internal accounting control contemplates an adequate system for internally preparing the Center’s financial statements.

*Cause* – The Center does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Effect* – The disclosures in the financial statements could be incomplete.

*Recommendation* – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*View of Responsible Officials* – There is no disagreement with the audit finding.

**2022-003      Audit Adjustments**  
**Material Weakness**

*Condition* – During the course of our engagement, we proposed audit adjustments that would not have been identified as a result of the Center’s existing internal controls, and therefore could have resulted in a material misstatement of the Center’s financial statements. This includes an adjustment to accrue for wages at the end of the year.

*Criteria* – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

*Cause* – The Center does not have an internal control system designed to identify all necessary adjustments.

*Effect* – The deficiency resulted in a material misstatement to the financial statements that was not prevented or detected.

*Recommendation* – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

*View of Responsible Officials* – There is no disagreement with the audit finding.