

***OLIVER-MERCER MULTIDISTRICT  
SPECIAL EDUCATION UNIT***

**AUDIT REPORT**

June 30, 2021 and 2020

Oliver-Mercer Multidistrict Special Education Unit  
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For The Years Ended June 30, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Oliver-Mercer Multidistrict Special Education Unit  
Hazen, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Oliver-Mercer Multidistrict Special Education Unit, Hazen, North Dakota, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Unit's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Oliver-Mercer Multidistrict Special Education Unit, Hazen, North Dakota as of June 30, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Unit's share of net pension liability and employer contributions – ND Teachers' Fund for Retirement on page 47, the Unit's share of net pension liability and employer contributions – ND Public Employees Retirement System on page 48, the Unit's share of net OPEB liability and employer contributions – ND Public Employees Retirement System on page 49, the budgetary comparison information on pages 50 and 51, and the notes to the required supplementary information on pages 52-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## INDEPENDENT AUDITOR'S REPORT

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oliver-Mercer Multidistrict Special Education Unit, Hazen, North Dakota's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2022, on our consideration of Oliver-Mercer Multidistrict Special Education Unit'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 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 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 Oliver-Mercer Multidistrict Special Education Unit's internal control over financial reporting and compliance.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
February 1, 2022

Oliver-Mercer Multidistrict Special Education Unit  
Statement of Net Position  
June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 691,723
Capital Assets	
Furniture & Equipment	37,150
Less Accumulated Depreciation	<u>(33,235)</u>
Total Capital Assets, Net of Depreciation	<u>3,915</u>
TOTAL ASSETS	695,638
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions and OPEB	1,238,200
LIABILITIES	
Accounts Payable	12,765
Accrued Salaries & Benefits	154,355
Long-Term Liabilities:	
Net Pension Liability and OPEB Liability	<u>3,297,516</u>
Total Liabilities	3,464,636
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions and OPEB	501,185
NET POSITION	
Net Investment in Capital Assets	3,915
Unrestricted	<u>(2,035,898)</u>
TOTAL NET POSITION	<u>\$ (2,031,983)</u>

Oliver-Mercer Multidistrict Special Education Unit  
Statement of Activities  
For the Year Ended June 30, 2021

		Program Revenues		Net (Expense) Revenue & Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities
Functions/Programs				
Governmental Activities				
Special Education Services	\$ 1,916,838	\$ 352,717	\$ 454,506	\$ (1,109,615)
Student Support Services	90,147	-	-	(90,147)
School Administration & Support Services	433,223	-	-	(433,223)
Total Primary Government	\$ 2,440,208	\$ 352,717	\$ 454,506	(1,632,985)
General Revenues:				
Assessments to Other Districts				75,000
State Aid				1,319,217
Unrestricted Investment Earnings				710
Miscellaneous				28,611
Total General Revenues				1,423,538
Change in Net Position				(209,447)
Net Position - Beginning of Year				(1,822,536)
Net Position - End of Year				<u>\$ (2,031,983)</u>

Oliver-Mercer Multidistrict Special Education Unit  
Balance Sheet - Governmental Funds  
June 30, 2021

	<u>Major Fund</u> <u>General</u>
ASSETS	
Cash and Cash Equivalents	\$ 691,723
TOTAL ASSETS	<u>\$ 691,723</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable	\$ 12,765
Accrued Salaries & Benefits	<u>154,355</u>
Total Liabilities	<u>167,120</u>
Fund Balances:	
Unassigned	<u>524,603</u>
Total Fund Balances	<u>524,603</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 691,723</u>
Total fund balances - governmental funds	\$ 524,603
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$37,150, and the accumulated depreciation is \$33,235.	3,915
Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.	1,238,200
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(3,297,516)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(501,185)</u>
Net position of governmental activities	<u>\$ (2,031,983)</u>

Oliver-Mercer Multidistrict Special Education Unit  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2021

	<u>Major Fund</u> <u>General</u>
REVENUES	
Handicapped Tuition	\$ 346,196
Assessments Collected	75,000
Interest Income	710
Handicapped Program Aid	1,290,513
Handicapped Transportation	1,345
Title IDEA-B Special Education Grant	432,396
Pre-School Program	9,389
Medicaid	9,866
Other Federal Revenue	2,855
Other State Revenue	27,359
Services Provided For Other Districts	6,521
Miscellaneous	<u>28,611</u>
TOTAL REVENUES	2,230,761
EXPENDITURES	
Current:	
Special Education	1,394,249
Psychological Services	85,413
Audiology	135
Speech Pathology	203,058
Occupational Therapy	142,436
Physical Therapy	15,191
Other Student Support Services	7,212
Instructional Staff Support Services	49,414
Governance Board	11,656
Support Services - Business	65,684
Special Area Admin Service	136,265
Other Support Services	32,662
Student Transportation Services	<u>33,521</u>
TOTAL EXPENDITURES	<u>2,176,896</u>
NET CHANGE IN FUND BALANCES	53,865
Fund Balances - July 1, 2020	<u>470,738</u>
FUND BALANCES - JUNE 30, 2021	<u>\$ 524,603</u>

Oliver-Mercer Multidistrict Special Education Unit  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the year ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 53,865
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$0) was exceeded by depreciation expense (\$2,556) in the current period.	(2,556)
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Governmental funds report the pension expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.	<u>(260,756)</u>
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Change in net position of governmental activities	<u>\$ (209,447)</u>
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Oliver-Mercer Multidistrict Special Education Unit  
Statement of Net Position  
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 647,095
Capital Assets	
Furniture & Equipment	37,150
Less Accumulated Depreciation	<u>(30,679)</u>
Total Capital Assets, Net of Depreciation	<u>6,471</u>
TOTAL ASSETS	653,566
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions and OPEB	488,445
LIABILITIES	
Accrued Salaries & Benefits	176,357
Long-Term Liabilities:	
Net Pension Liability and OPEB Liability	<u>2,185,649</u>
Total Liabilities	2,362,006
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions and OPEB	602,541
NET POSITION	
Net Investment in Capital Assets	6,471
Unrestricted	<u>(1,829,007)</u>
TOTAL NET POSITION	<u>\$ (1,822,536)</u>

Oliver-Mercer Multidistrict Special Education Unit  
Statement of Activities  
For the Year Ended June 30, 2020

		Program Revenues		Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Governmental Activities
	Expenses			
Functions/Programs				
Governmental Activities				
Special Education Services	\$ 1,832,912	\$ 405,052	\$ 437,482	\$ (990,378)
Student Support Services	67,492	-	-	(67,492)
School Administration & Support Services	268,888	-	-	(268,888)
Total Primary Government	\$ 2,169,292	\$ 405,052	\$ 437,482	(1,326,758)
General Revenues:				
Assessments to Other Districts				75,000
State Aid				1,253,417
Unrestricted Investment Earnings				2,230
Miscellaneous				6,889
Gain (Loss) on Disposal of Assets				(863)
Total General Revenues				<u>1,336,673</u>
Change in Net Position				9,915
Net Position - Beginning of Year				(1,832,451)
Net Position - End of Year				<u>\$ (1,822,536)</u>

Oliver-Mercer Multidistrict Special Education Unit  
Balance Sheet - Governmental Funds  
June 30, 2020

	<u>Major Fund</u> <u>General</u>
ASSETS	
Cash and Cash Equivalents	\$ 647,095
TOTAL ASSETS	<u>\$ 647,095</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accrued Salaries & Benefits	\$ 176,357
Total Liabilities	<u>176,357</u>
Fund Balances:	
Unassigned	<u>470,738</u>
Total Fund Balances	<u>470,738</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 647,095</u>
Total fund balances - governmental funds	\$ 470,738
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$37,150, and the accumulated depreciation is \$30,679.	6,471
Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.	488,445
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(2,185,649)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(602,541)</u>
Net position of governmental activities	<u>\$ (1,822,536)</u>

Oliver-Mercer Multidistrict Special Education Unit  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2020

	<u>Major Fund</u> <u>General</u>
REVENUES	
Handicapped Tuition	\$ 378,152
Assessments Collected	75,000
Interest Income	2,230
Handicapped Program Aid	1,249,930
Handicapped Transportation	1,287
Title IDEA-B Special Education Grant	419,675
Pre-School Program	9,216
Medicaid	8,591
Other State Revenue	2,200
Services Provided For Other Districts	26,900
Miscellaneous	<u>6,889</u>
 TOTAL REVENUES	 2,180,070
EXPENDITURES	
Current:	
Special Education	1,380,928
Psychological Services	83,119
Audiology	765
Speech Pathology	192,342
Medical Services	195
Occupational Therapy	137,723
Physical Therapy	11,588
Other Student Support Services	13,685
Instructional Staff Support Services	10,400
Governance Board	17,634
Support Services - Business	64,444
Special Area Admin Service	136,938
Other Support Services	7,134
Student Transportation Services	<u>43,407</u>
 TOTAL EXPENDITURES	 <u>2,100,302</u>
 NET CHANGE IN FUND BALANCES	 79,768
 Fund Balances - July 1, 2019	 <u>390,970</u>
 FUND BALANCES - JUNE 30, 2020	 <u>\$ 470,738</u>

Oliver-Mercer Multidistrict Special Education Unit  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the year ended June 30, 2020

Net change in fund balances - total governmental funds	\$	79,768
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,309) was exceeded by depreciation expense (\$2,724) in the current period		(1,415)
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In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.		(863)
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Governmental funds report the pension expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.		(67,575)
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Change in net position of governmental activities	\$	9,915
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Oliver-Mercer Multidistrict Special Education Unit  
Notes to Basic Financial Statements  
June 30, 2021 and 2020

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Oliver-Mercer Multidistrict Special Education Unit have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the Unit's financial statements include all accounts of the Unit's operations. The criteria for including organizations as component units within the Unit's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Unit holds the corporate powers of the organization
- the Unit appoints a voting majority of the organization's board
- the Unit is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Unit
- there is a fiscal dependency by the organization on the Unit

The Unit receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the Unit as a reporting entity and the Unit is not includable as a component unit within another reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the Unit has no fiduciary or business-type activities.

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

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Basic Financial Statements  
June 30, 2021 and 2020

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The Unit has no proprietary or fiduciary activities at this time. These statements present each major fund as a separate column on the fund financial statements (the Unit has only one fund); any non-major funds would be aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Unit has presented the following major fund:

General Fund: The General Fund is the main operating fund of the Unit. This fund is used to account for all financial resources not accounted for in other funds. All general revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both 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. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are assessments, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Basic Financial Statements  
June 30, 2021 and 2020

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

E. Deposits

In accordance with North Dakota statutes, the Unit maintains deposits at depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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 bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposits, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the state of North Dakota, its boards, agencies, or instrumentalities, or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing entity, and bonds issued by any other state of the United States or such other securities approved by the banking board.

At June 30, 2021, and 2020, the carrying amounts of the Unit's deposits were \$691,473, and \$646,845, respectively. The bank balances of these deposits as of June 30, 2021 and 2020 were \$802,496 and \$734,390, respectively. The difference results from checks outstanding or deposits not yet processed. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$552,496 was collateralized with securities held by the pledging financial institutions' agency not in the Unit's name for the year ended June 30, 2021. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$484,390 was collateralized with securities held by the pledging financial institutions' agency not in the Unit's name for the year ended June 30, 2020.

Credit Risk: The Unit may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct 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 the type listed above.
- (c) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

Concentration of credit risk: The Unit does not have a limit on the amount the Unit may invest in any one issuer.

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Basic Financial Statements  
June 30, 2021 and 2020

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets/Capital Outlays

Capital assets, which currently include furniture and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available.

Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$1,000 or more (individually or collectively) and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives for the furniture and equipment range from three to seven years.

G. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Unit board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board – the Unit's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Assigned* – This classification reflects the amounts constrained by the Unit’s “intent” to be used for special purposes but are neither restricted nor committed. The board and director have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

*Unassigned* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Unit’s preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

J. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 8 for additional information.

K. 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 Teachers’ Fund for Retirement (TFFR) and the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR and NDPERS’s fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. 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.

L. Other Post Employment Benefit (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.

NOTE 2      CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes amounts in demand deposits as well as petty cash.

NOTE 3      INTERGOVERNMENTAL ACCOUNTS RECEIVABLE

Intergovernmental accounts receivable consists of final reimbursements due the Unit from the State of North Dakota and other school districts for expenses incurred before June 30.

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NOTE 4      ACCOUNTS PAYABLE

Accounts payable consists of amounts owing on open account to individuals and organizations for goods and services received prior to June 30.

NOTE 5      ACCRUED SALARIES AND BENEFITS

This payable consists of amounts owed to individuals for services performed prior to June 30.

NOTE 6      COMPENSATED ABSENCES

Oliver-Mercer Multidistrict Special Education Unit had no material compensated absences (sick leave and vacation) outstanding at year-end. Since the majority of the employees are teachers, it is normal for them to work only nine months of the calendar year. Any time due to them is taken by the end of the Unit year or paid out in May.

NOTE 7      CAPITAL ASSETS

The following is a summary of changes in capital assets:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>
Balance, June 30, 2019	\$ 50,748	\$ 41,999
Purchases, Fiscal Year 2020	1,309	-
Disposals, Fiscal Year 2020	(14,907)	(14,044)
Depreciation Expense, Fiscal Year 2020	<u>-</u>	<u>2,724</u>
Balance, June 30, 2020	37,150	30,679
Purchases, Fiscal Year 2021	-	-
Disposals, Fiscal Year 2021	-	-
Depreciation Expense, Fiscal Year 2021	<u>-</u>	<u>2,556</u>
Balance, June 30, 2021	<u><u>\$ 37,150</u></u>	<u><u>\$ 33,235</u></u>

Depreciation has been reported in the governmental statements of activities as Special Education Services.

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NOTE 8      DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (PENSIONS & OPEB)

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of June 30, 2021 and 2020, are as follows:

	2021	2020
Deferred Outflows of Resources		
Derived from pension - TFFR	\$ 418,967	\$ 241,888
Derived from pension - NDPERS	803,712	235,418
Derived from pension - OPEB	15,521	11,139
Total	<u>\$ 1,238,200</u>	<u>\$ 488,445</u>
Deferred Inflows of Resources		
Derived from pension - TFFR	\$ 290,534	\$ 329,608
Derived from pension - NDPERS	208,491	270,424
Derived from pension - OPEB	2,160	2,509
Total	<u>\$ 501,185</u>	<u>\$ 602,541</u>

Note 9 of the financial statements contains details of the pension plans.

NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

2020 Pension Plans

1. North Dakota Teacher's Fund for Retirement

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.

Pension Benefits

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.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

*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 must 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.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 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.

Member and Employer 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Unit reported a liability of \$1,728,083 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net pension liability was based on the Unit's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2019, the Unit's proportion was 0.12547319 percent which was a decrease of 0.01551597 percent from its proportion measures as of July 1, 2018.

For the year ended June 30, 2020, the Unit recognized pension expense of \$147,506. At June 30, 2020, the Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Notes to Basic Financial Statements  
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NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,467	\$ 62,367
Changes of assumptions	61,419	-
Net difference between projected and actual earnings on pension plan investments	24,325	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,010	267,241
Employer contributions subsequent to the measurement date (see below)	122,667	-
Total	<u>\$ 241,888</u>	<u>\$ 329,608</u>

\$122,667 reported as deferred outflows of resources related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

<u>For the year ended June 30,</u>	
2021	\$ 949
2022	(40,067)
2023	(55,596)
2024	(46,749)
2025	(35,973)
Thereafter	(32,950)

Actuarial Assumptions

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

Inflation	2.75%
Salary Increases	4.25% to 14.50% varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumption used in the July 1, 2019, funding actuarial valuations for TFFR.

As a result of April 30, 2015 actuarial experiences study, the TFFR Board adopted several assumption changes, including the following:

- 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.

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 Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.9%
Global Fixed Income	23%	2.1%
Global Real Assets	18%	5.4%
Cash Equivalents	1%	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2019, 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, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Unit's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Employer's proportionate share of the net pension liability	\$      2,333,794	\$      1,728,083	\$      1,224,722

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 [www.nd.gov/rio/sib/publications/cafr/default.htm](http://www.nd.gov/rio/sib/publications/cafr/default.htm).

2. North Dakota Public Employees Retirement System (Main System)

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; and one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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 will be 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. 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.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 of 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.

Member and Employer 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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Unit reported a liability of \$430,092 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019 and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net pension liability was based on the Unit's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2019, the Unit's proportion was 0.036695 percent which was a decrease of .002048 percent from its proportion measured as of July 1, 2018.

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NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

For the year ended June 30, 2020, the Unit recognized pension expense of \$71,030. At June 30, 2020, the Unit 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	\$ 255	\$ 78,053
Changes of assumptions	160,714	137,987
Net difference between projected and actual earnings on pension plan investments	7,493	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,992	54,384
Employer contributions subsequent to the measurement date (see below)	29,964	-
Total	<u>\$ 235,418</u>	<u>\$ 270,424</u>

\$29,964 reported as deferred outflows of resources related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

For the year ended June 30,	
2021	\$ 7,070
2022	(532)
2023	(17,354)
2024	(40,521)
2025	(13,633)
Thereafter	-

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NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions

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

Inflation 2.50%

Salary increases

<b>Service At Beginning of Year</b>	<b>State Employee</b>	<b>Non-State Employee</b>
0	12.00%	15.00%
1	9.50%	10.00%
2	7.25%	8.00%
3	*	*
4	*	*
<b>Age</b>		
Under 30	7.25%	10.00%
30-39	6.50%	7.50%
40-49	6.25%	6.75%
50-59	5.75%	6.50%
60+	5.00%	5.25%

\*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return 7.50%, net of investment expenses

Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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 Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Unit's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Employer's proportionate share of the net pension liability	\$ 616,659	\$ 430,092	\$ 273,343

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 1600 East Century Ave, Suite 2; PO Box 1657; Bismarck, ND 58502-1657.

3. North Dakota Public Employees Retirement System (OPEB)

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.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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.

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NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

At June 30, 2020, the Unit reported a liability of \$27,474 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net OPEB liability was based on the Unit's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At July 1, 2019, the Unit's proportion was 0.034206 percent, which was a decrease of 0.002169 from its proportion measured July 1, 2018.

For the year ended June 30, 2020, the Unit recognized OPEB expense of \$4,007. At June 30, 2020, the Unit 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	\$ 677	\$ 858
Changes of assumptions	3,274	-
Net difference between projected and actual earnings on OPEB plan investments	31	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,806	1,651
Employer contributions subsequent to the measurement date (see below)	4,351	-
Total	<u>\$ 11,139</u>	<u>\$ 2,509</u>

\$4,351 reported as deferred outflows of resources related to OPEB resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

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

For the year ended June 30,	
2021	\$ 773
2022	773
2023	1,029
2024	982
2025	658
2026	87
Thereafter	(23)

Oliver-Mercer Multidistrict Special Education Unit  
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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial assumptions

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

Inflation	2.50%
Salary increases	Not Applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
International Equities	40%	2.07%
Core-Plus Fixed Income	21%	6.95%

Discount rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. 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.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Employer'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, 2019, calculated using the discount rate of 7.25%, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employer's proportionate share of the net OPEB liability	\$            35,067	\$            27,474	\$            20,974

2021 Pension Plans

1. North Dakota Teacher's Fund for Retirement

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.

Pension Benefits

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.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 must 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 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.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Member and Employer 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Unit reported a liability of \$2,018,036 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net pension liability was based on the Unit's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the Unit's proportion was 0.13185437 percent which was an increase of 0.00638118 percent from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the Unit recognized pension expense of \$184,187. At June 30, 2021, the Unit 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	\$ 416	\$ 75,733
Changes of assumptions	90,829	-
Net difference between projected and actual earnings on pension plan investments	124,576	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	92,758	214,801
Employer contributions subsequent to the measurement date (see below)	110,388	-
Total	<u>\$ 418,967</u>	<u>\$ 290,534</u>

\$110,388 reported as deferred outflows of resources related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pensions liability in the year ended June 30, 2022.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

For the year ended June 30,	
2022	\$ 8,355
2023	(7,438)
2024	1,865
2025	11,984
2026	(14,943)
Thereafter	18,224

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, 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, 2020, funding actuarial valuation for TFFR.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- 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.

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 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 pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.9%
Global Fixed Income	23%	1.3%
Global Real Assets	18%	5.0%
Cash Equivalents	1%	0.0%

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2020, 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, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Unit's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employer's proportionate share of the net pension liability	\$ 2,687,915	\$ 2,018,036	\$ 1,461,332

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 [www.nd.gov/rio/sib/publications/cafr/default.htm](http://www.nd.gov/rio/sib/publications/cafr/default.htm).

2. North Dakota Public Employees Retirement System (Main System)

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 seven 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.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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 will be 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 of 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.

Member and Employer 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.

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NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Unit reported a liability of \$1,247,209 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020 and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net pension liability was based on the Unit's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2020, the Unit's proportion was 0.039644 percent which was an increase of 0.002949 percent from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the Unit recognized pension expense of \$222,355. At June 30, 2021, the Unit 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	\$ 4,852	\$ 63,197
Changes of assumptions	668,583	110,533
Net difference between projected and actual earnings on pension plan investments	40,254	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,264	34,761
Employer contributions subsequent to the measurement date (see below)	35,759	-
Total	<u>\$ 803,712</u>	<u>\$ 208,491</u>

\$35,759 reported as deferred outflows of resources related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

For the year ended June 30,	
2022	\$ 162,918
2023	144,468
2024	119,368
2025	132,708
2026	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2020 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 Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Basic Financial Statements  
June 30, 2021 and 2020

NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 2.45%; and the resulting Single Discount Rate is 4.64%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Unit's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	<u>1% Decrease (3.64%)</u>	<u>Current Discount Rate (4.64%)</u>	<u>1% Increase (5.64%)</u>
Employer's proportionate share of the net pension liability	\$ 1,618,160	\$ 1,247,209	\$ 943,680

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 1600 East Century Ave, Suite 2; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

3. North Dakota Public Employees Retirement System (OPEB)

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.

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Basic Financial Statements  
June 30, 2021 and 2020

NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

At June 30, 2021, the Unit reported a liability of \$32,271 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net OPEB liability was based on the Unit's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At July 1, 2020, the Unit's proportion was 0.038363 percent, which was an increase of 0.004157 percent from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the Unit recognized OPEB expense of \$5,450. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 717	\$ 774
Changes of assumptions	4,327	-
Net difference between projected and actual earnings on OPEB plan investments	1,110	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,382	1,386
Employer contributions subsequent to the measurement date (see below)	4,985	-
Total	<u>\$ 15,521</u>	<u>\$ 2,160</u>

\$4,985 reported as deferred outflows of resources related to OPEB resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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>For the year ended June 30,</u>	
2022	\$ 1,846
2023	2,132
2024	2,080
2025	1,721
2026	615
2027	(18)
Thereafter	-

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Basic Financial Statements  
June 30, 2021 and 2020

NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial assumptions

The total OPEB liability in the July 1, 2020 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 MortalityPub-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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
International Equities	40%	1.15%
Core-Plus Fixed Income	21%	6.45%

Discount rate

The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. 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.

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Basic Financial Statements  
June 30, 2021 and 2020

NOTE 9      PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Employer'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, 2020, 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 (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
Employer's proportionate share of the net OPEB liability	\$ 42,324	\$ 32,271	\$ 23,770

NOTE 10      RISK MANAGEMENT

The Special Education Unit 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. During the mid-1980's, the Unit was not able to obtain general liability insurance at a cost it considered to be economically justifiable. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. All members paid an additional charge the first year they joined to help capitalize the NDIRF. In 1991, the NDIRF returned 20% of the capitalized amount with a premium reduction or cash payment to the Unit. The Unit pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence. There have been no losses that exceeded the coverage in the last three years.

The Unit continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance.

***REQUIRED  
SUPPLEMENTARY INFORMATION***

OLIVER-MERCER MULTIDISTRICT SPECIAL EDUCATION UNIT  
Required Supplementary Information  
For the Year Ended June 30, 2021

Schedule of Employer's Share of Net Pension Liability  
ND Teachers' Fund for Retirement  
Last 10 Fiscal Years \*

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.13185437%	0.12547319%	0.14098916%	0.13988925%	0.153476%	0.153397%	0.147155%
Employer's proportionate share of the net pension liability (asset)	\$ 2,018,036	\$ 1,728,083	\$ 1,879,186	\$ 1,921,415	\$ 2,248,517	\$ 2,006,211	\$ 1,541,924
Employer's covered-employee payroll	\$ 962,089	\$ 880,230	\$ 958,458	\$ 944,212	\$ 997,173	\$ 943,552	\$ 853,576
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	209.75%	196.32%	196.06%	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.4%	65.5%	65.5%	63.2%	59.2%	62.1%	66.6%

\* Complete data for this schedule is not available prior to 2015.

Schedule of Employer Contributions  
ND Teachers' Fund for Retirement  
Last 10 Fiscal Years \*

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 110,388	\$ 122,667	\$ 112,229	\$ 122,203	\$ 127,140	\$ 120,297	\$ 91,759
Contributions in relation to the statutorily required contribution	\$ (110,388)	\$ (122,667)	\$ (112,229)	\$ (122,203)	\$ (127,140)	\$ (120,297)	\$ (91,759)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 962,089	\$ 880,230	\$ 958,458	\$ 944,212	\$ 997,173	\$ 943,552	\$ 853,576
Contributions as a percentage of covered-employee payroll	11.47%	13.94%	11.71%	12.75%	12.75%	12.75%	10.75%

\* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of 7/1/2020, 7/1/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

OLIVER-MERCER MULTIDISTRICT SPECIAL EDUCATION UNIT  
Required Supplementary Information  
For the Year Ended June 30, 2021

Schedule of Employer's Share of Net Pension Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years \*

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.039644%	0.036695%	0.038743%	0.033420%	0.042396%	0.039610%	0.041372%
Employer's proportionate share of the net pension liability (asset)	\$ 1,247,209	\$ 430,092	\$ 653,830	\$ 537,169	\$ 413,190	\$ 269,341	\$ 262,597
Employer's covered-employee payroll	\$ 437,322	\$ 381,690	\$ 398,016	\$ 341,165	\$ 427,255	\$ 352,873	\$ 348,512
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	285.19%	112.68%	164.27%	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%

\* Complete data for this schedule is not available prior to 2015.

Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years \*

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 30,966	\$ 27,789	\$ 29,315	\$ 24,739	\$ 30,932	\$ 26,804	\$ 24,814
Contributions in relation to the statutorily required contribution	\$ (29,670)	\$ (25,683)	\$ (27,822)	\$ (27,694)	\$ (28,394)	\$ (25,514)	\$ (24,814)
Contribution deficiency (excess)	\$ 1,296	\$ 2,106	\$ 1,493	\$ (2,955)	\$ 2,538	\$ 1,290	\$ -
Employer's covered-employee payroll	\$ 437,322	\$ 381,690	\$ 398,016	\$ 341,165	\$ 427,255	\$ 352,873	\$ 348,512
Contributions as a percentage of covered-employee payroll	6.78%	6.73%	6.99%	8.12%	6.65%	7.60%	7.12%

\* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of 7/1/2020, 7/1/2019, 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

OLIVER-MERCER MULTIDISTRICT SPECIAL EDUCATION UNIT  
Required Supplementary Information  
For the Year Ended June 30, 2021

Schedule of Employer's Share of Net OPEB Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years \*

	2021	2020	2019	2018
Employer's proportion of the net OPEB liability (asset)	0.038363%	0.034206%	0.036375%	0.031536%
Employer's proportionate share of the net OPEB liability (asset)	\$ 32,271	\$ 27,474	\$ 28,648	\$ 24,945
Employer's covered-employee payroll	\$ 437,322	\$ 381,690	\$ 398,016	\$ 341,165
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.38%	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	63.38%	63.13%	61.89%	59.78%

\* Complete data for this schedule is not available prior to 2017.

Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years \*

	2021	2020	2019	2018
Statutorily required contribution	\$ 5,138	\$ 4,439	\$ 4,669	\$ 3,966
Contributions in relation to the statutorily required contribution	\$ 4,750	\$ 4,112	\$ (4,455)	\$ (4,434)
Contribution deficiency (excess)	\$ 388	\$ 327	\$ 214	\$ (468)
Employer's covered-employee payroll	\$ 437,322	\$ 381,690	\$ 398,016	\$ 341,165
Contributions as a percentage of covered-employee payroll	1.09%	1.08%	1.12%	1.30%

\* Complete data for this schedule is not available prior to 2017.

Data reported is measured as of 7/1/2020, 7/1/2019, 7/1/2018 and 7/1/2017.

Oliver-Mercer Multidistrict Special Education Unit  
 Budgetary Comparison Schedule  
 General Fund  
 For the year ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual (Budgetary Basis)	(Unfavorable)
REVENUES				
Handicapped Tuition	\$ 212,212	\$ 212,212	\$ 346,196	\$ 133,984
Assessments Collected	75,000	75,000	75,000	-
Interest Income	500	500	710	210
Other Local Revenue	8,750	8,750	-	(8,750)
Handicapped Program Aid	1,426,788	1,426,788	1,290,513	(136,275)
Handicapped Transportation	-	-	1,345	1,345
Title IDEA-B Special Education Grant	419,712	419,712	432,396	12,684
Pre-School Program	8,802	8,802	9,389	587
Medicaid	5,000	5,000	9,866	4,866
Other Federal Revenue	-	-	2,855	2,855
Other State Revenue	-	-	27,359	27,359
Services Provided For Other Districts	-	-	6,521	6,521
Miscellaneous	-	-	28,611	28,611
TOTAL REVENUES	2,156,764	2,156,764	2,230,761	73,997
EXPENDITURES				
Current:				
Special Education	1,697,418	1,697,418	1,394,249	303,169
Counseling Services	500	500	-	500
Psychological Services	92,161	92,161	85,413	6,748
Audiology	795	795	135	660
Speech Pathology	202,760	202,760	203,058	(298)
Medical Services	3,500	3,500	-	3,500
Occupational Therapy	144,999	144,999	142,436	2,563
Physical Therapy	13,000	13,000	15,191	(2,191)
Other Student Support Services	30,937	30,937	7,212	23,725
Instructional Staff Support Services	30,937	30,937	49,414	(18,477)
Governance Board	18,230	18,230	11,656	6,574
Support Services - Business	17,000	17,000	65,684	(48,684)
Special Area Admin Service	66,672	66,672	136,265	(69,593)
Other Support Services	30,800	30,800	32,662	(1,862)
Student Transportation Services	65,450	65,450	33,521	31,929
TOTAL EXPENDITURES	2,415,159	2,415,159	2,176,896	238,263
NET CHANGE IN FUND BALANCES	(258,395)	(258,395)	53,865	312,260
Fund Balances - July 1, 2020	470,738	470,738	470,738	-
FUND BALANCES - JUNE 30, 2021	\$ 212,343	\$ 212,343	\$ 524,603	\$ 312,260

Oliver-Mercer Multidistrict Special Education Unit  
 Budgetary Comparison Schedule  
 General Fund  
 For the year ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual (Budgetary Basis)	
REVENUES				
Handicapped Tuition	\$ 202,566	\$ 202,566	\$ 378,152	\$ 175,586
Assessments Collected	150,000	150,000	75,000	(75,000)
Interest Income	500	500	2,230	1,730
Other Local Revenue	9,250	9,250	-	(9,250)
Handicapped Program Aid	1,518,120	1,518,120	1,249,930	(268,190)
Handicapped Transportation	-	-	1,287	1,287
Title IDEA-B Special Education Grant	406,516	406,516	419,675	13,159
Pre-School Program	8,320	8,320	9,216	896
Medicaid	5,000	5,000	8,591	3,591
Other State Revenue	-	-	2,200	2,200
Services Provided For Other Districts	-	-	26,900	26,900
Miscellaneous	-	-	6,889	6,889
TOTAL REVENUES	2,300,272	2,300,272	2,180,070	(120,202)
EXPENDITURES				
Current:				
Special Education	1,551,366	1,551,366	1,380,928	170,438
Counseling Services	500	500	-	500
Psychological Services	89,069	89,069	83,119	5,950
Audiology	545	545	765	(220)
Speech Pathology	193,582	193,582	192,342	1,240
Medical Services	3,500	3,500	195	3,305
Occupational Therapy	137,768	137,768	137,723	45
Physical Therapy	4,000	4,000	11,588	(7,588)
Other Student Support Services	35,937	35,937	13,685	22,252
Instructional Staff Support Services	10,000	10,000	10,400	(400)
Governance Board	20,900	20,900	17,634	3,266
Support Services - Business	65,319	65,319	64,444	875
Special Area Admin Service	143,715	143,715	136,938	6,777
Other Support Services	19,500	19,500	7,134	12,366
Student Transportation Services	60,000	60,000	43,407	16,593
TOTAL EXPENDITURES	2,335,701	2,335,701	2,100,302	235,399
NET CHANGE IN FUND BALANCES	(35,429)	(35,429)	79,768	115,197
Fund Balances - July 1, 2019	390,970	390,970	390,970	-
FUND BALANCES - JUNE 30, 2020	\$ 355,541	\$ 355,541	\$ 470,738	\$ 115,197

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Required Supplementary Information  
June 30, 2021 and 2020

**NOTE 1 LEGAL COMPLIANCE - BUDGETS**

The director and business manager prepare the special education unit's budget on the modified accrual basis of accounting. The board reviews the budget, may make revisions and approves it. The board must submit the budget to the superintendent of public instruction for approval. The budget includes proposed expenditures and the means of financing them. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. Except as provided by North Dakota Century Code Section 40-40-21, the balance of each appropriation becomes a part of the unappropriated balance at year-end.

**NOTE 2 EXPENSES IN EXCESS OF BUDGET**

For the year ended June 30, 2021, six individual line items were over budget, but as a whole the expenses were under budget. No remedial action is anticipated.

For the year ended June 30, 2020, three individual line item was over budget, but as a whole the expenses were under budget. No remedial action is anticipated.

**NOTE 3 CHANGES OF ASSUMPTIONS – ND TEACHER'S FUND FOR RETIREMENT**

**Year Ended June 30, 2020**

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.

**Year Ended June 30, 2021**

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 increase were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experiences.
- 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 Contingent Survivor table for beneficiaries, both 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.

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Required Supplementary Information  
June 30, 2021 and 2020

**NOTE 3 CHANGES OF ASSUMPTIONS – ND TEACHER’S FUND FOR RETIREMENT – CONTINUED**

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.

**NOTE 4 CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN**

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.

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Required Supplementary Information  
June 30, 2021 and 2020

**NOTE 4 CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN**  
**CONTINUED**

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 7.50% to 7.00%.
- 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 updated 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.

**NOTE 5 CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB**

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.

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Required Supplementary Information  
June 30, 2021 and 2020

**NOTE 5 CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB-  
CONTINUED**

**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.

Oliver- Mercer Multidistrict Special Education Unit  
Schedule of Expenditures of Federal Awards  
For The Years Ended June 30, 2021 and 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	<u>Federal Expenditures</u>		
			2021	2020	Total
<u>U.S. DEPARTMENT OF EDUCATION:</u>					
<u>Passed through the State Department of Public Instruction:</u>					
<u>Special Education Cluster</u>					
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	\$ 432,396	\$ 419,675	\$ 852,071
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	<u>9,389</u>	<u>9,216</u>	<u>18,605</u>
Total Special Education Cluster			441,785	428,891	870,676
Elementary and Secondary School Emergency Relief Funds	84.425D	N/A	<u>2,855</u>	<u>-</u>	<u>2,855</u>
Total Expenditures of Federal Awards			<u>\$ 444,640</u>	<u>\$ 428,891</u>	<u>\$ 873,531</u>

Oliver-Mercer Multidistrict Special Education Unit  
Notes to Schedule of Expenditures of Federal Awards  
For the Years Ending June 30, 2021 and 2020

NOTE 1      PURPOSE OF SCHEDULE

The Schedule of Expenditures of Federal Awards (schedule) is a supplementary schedule to the financial statements and is presented for purposes of additional analysis. The schedule is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Federal Financial Assistance - Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursements for services rendered to individuals. Accordingly, nonmonetary federal assistance may be included in federal financial assistance and therefore, may be reported on the schedule. Oliver-Mercer Multidistrict Special Education received no nonmonetary federal assistance in the form of food commodities during the years ended June 30, 2019 and 2018. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of Federal Domestic Assistance – Uniform Guidance requires the schedule to show the total expenditures for each of the federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government wide compendium of individual federal programs.

B. Major Programs

The Uniform Guidance established the levels of expenditures to be used in defining major federal financial assistance programs. The dollar threshold to distinguish type A and type B programs was \$750,000.

C. Reporting Entity

The schedule includes all federal financial assistance programs administered by the organization.

D. Basis of Accounting

Federal financial assistance expenditures included in the schedule are reported using the modified accrual basis of accounting.

E. Elections

The Unit has not elected to use the 10 percent de minimis indirect cost rate.

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*

Governing Board  
Oliver-Mercer Multidistrict Special Education Unit  
Hazen, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Oliver-Mercer Multidistrict Special Education Unit as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Oliver-Mercer Multidistrict Special Education Unit's basic financial statements and have issued our report thereon dated February 1, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Oliver-Mercer Multidistrict Special Education Unit's internal control over financial reporting (internal control) to determine the 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 Oliver-Mercer Multidistrict Special Education Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Unit's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies 2021-001 and 2021-002 in internal control that we consider to be material weaknesses.

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*

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Oliver-Mercer Multidistrict Special Education Unit'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 determination of financial statement amounts. 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*.

**Oliver-Mercer Multidistrict Special Education Unit's Response to Findings**

The Oliver-Mercer Multidistrict Special Education Unit's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Oliver-Mercer Multidistrict Special Education Unit's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
February 1, 2022

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

Governing Board  
Oliver-Mercer Multidistrict Special Education Unit  
Hazen, North Dakota

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

We have audited Oliver-Mercer Multidistrict Special Education Unit's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Oliver-Mercer Multidistrict Special Education Unit's major federal programs for the years ended June 30, 2021 and 2020. Oliver-Mercer Multidistrict Special Education Unit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Oliver-Mercer Multidistrict Special Education Unit's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Oliver-Mercer Multidistrict Special Education Unit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2021 and 2020.

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

**Report on Internal Control Over Compliance**

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

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

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

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

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
February 1, 2022

Oliver-Mercer Multidistrict Special Education Unit  
Schedule of Findings and Questioned Costs  
For The Years Ended June 30, 2021 and 2020

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

Financial Statements

Type of auditor's report issued:

Governmental Activities

Unmodified

Major Governmental Funds

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

Yes

Significant deficiencies identified?

No

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?

No

Significant deficiencies identified?

None Reported

Type of auditor's report issued on compliance for major federal programs?

Unmodified

Any audit findings that are required to be reported in accordance  
with 2 CFR 200.516 (a)?

No

Identification of major federal programs:

Special Education Cluster

84.027 - Special Education – Grants to States (IDEA, Part B)

84.173 - Special Education – Preschool Grants (IDEA Preschool)

Dollar threshold used to distinguish Type A and Type B programs?

\$750,000

Auditee qualified as a low-risk auditee?

No

Oliver-Mercer Multidistrict Special Education Unit  
Schedule of Findings and Questioned Costs  
For The Years Ended June 30, 2021 and 2020

## **Section II – Financial Statement Findings**

### *Material Weaknesses*

#### Finding 2021-001: Segregation of Duties

Condition – The Unit has a lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual handles or has access to a transaction from inception to completion.

Cause – There are limited individuals to perform tasks due to the small size of the entity and it is not economically feasible to further segregate duties.

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

Recommendation – The most effective controls lie in the board's knowledge of matters relating to the organization's operations. Board members should periodically review documentation supporting individual transactions.

Management Response – The board is aware of the limitations of the small staff but additional staff is not feasible.

#### Finding 2021-002: Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the Unit's auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Cause – Limited time and resources of the Unit to prepare the financial statements in the format required by generally accepted accounting principles including compliance with GASB 34.

Effect – An increased risk of material misstatement in the Unit's financial statements.

Recommendation – The board should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Management Response – The Unit is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the Unit. They accept the degree of risk associated with the Unit not preparing its own financial statements.

## **Section III – Federal Award Findings**

No matters were reported.

Oliver-Mercer Multidistrict Special Education Unit  
Schedule of Findings and Questioned Costs  
For The Years Ended June 30, 2021 and 2020

**Prior Audit Findings – Financial Statement Findings**

*Material Weaknesses*

Finding 2019-001: Segregation of Duties

Condition – The Unit has a lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual handles or has access to a transaction from inception to completion.

Cause – There are limited individuals to perform tasks due to the small size of the entity and it is not economically feasible to further segregate duties.

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

Recommendation – This is not unusual in organizations of your size and under these conditions, the most effective controls lie in the board's knowledge of matters relating to the organization's operations. Board members should periodically review documentation supporting individual transactions.

Management Response – The board is aware of the limitations of the small staff, but additional staff is not feasible.

Status of Finding – The finding is repeated in the current year. See 2021-001.

Oliver-Mercer Multidistrict Special Education Unit  
Schedule of Findings and Questioned Costs  
For The Years Ended June 30, 2021 and 2020

Finding 2019-002: Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the Unit’s auditors and this includes the implementation of GASB Statement No. 75.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles. This includes implementation of new accounting standards issued.

Cause – Limited time and resources of the Unit to prepare the financial statements in the format required by generally accepted accounting principles including compliance with GASB 34. Implementation of GASB Statement No. 75 relating to OPEB also requires a significant amount of time and research.

Effect – An increased risk of material misstatement in the Unit’s financial statements.

Recommendation – This is not unusual in organizations of your size due to limited resources. The board should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Management Response – The Unit is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the Unit. They accept the degree of risk associated with the Unit not preparing its own financial statements or implementing GASB Statement No. 75.

Status of Finding – The finding is repeated in the current year. See 2021-002.

**Prior Audit Findings – Federal Audit Findings**

No matters were reported.

# ***OLIVER-MERCER SPECIAL EDUCATION***

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**Serving: Beulah, Hazen, Center/Stanton Schools**

*Ken Miller, Board President  
Tracy Peterson, Vice President  
Travis Jordan, Board Member*

*Sonya Hansana, Board Member  
Jessica Schmidt, Board Member  
Cindy Berger, Board Member*

**Management's Response to Auditor's Finding:  
Summary Schedule of Prior Audit Finding and Corrective Action Plan  
June 30, 2021 and 2020**

**Prepared by  
Oliver-Mercer Multidistrict Special Education Unit**

**Box 1005, Hazen, ND 58545  
PHONE: (701) 748-6383 FAX: (701) 748-5448  
Linette Irwin, Director  
Deb Suelzle, Business Manager**

Oliver-Mercer Multidistrict Special Education Unit  
Corrective Action Plan  
For The Years Ended June 30, 2021 and 2020

**Corrective Action Plan – June 30, 2021**

**2021-001: Segregation of Duties**

Contact Person – Linette Irwin, Director

Corrective Action Plan – This finding is noted together with the Board, the unit will make every effort to ensure adequate internal controls. This condition is a repeat from prior years. Because of the very limited number of staff available to the unit, all of the accounting duties cannot be totally segregated in such a way as to eliminate this reportable condition. The only alternative would be the hiring of additional staff, and current cash flows do not justify it. The Organization has reviewed its internal controls and procedures in place and believe the procedures in place provide adequate controls under these circumstances.

Completion Date – The Unit will implement when it becomes cost effective.

**2021-002: Preparation of Financial Statements**

Contact Person – Linette Irwin, Director

Corrective Action Plan – This finding is noted together with the Board. Due to the financial, efficiency and time constraints, it has been determined by the Unit's management that it is in the best interest of Oliver-Mercer Multidistrict special education Unit, and all interested parties to have the auditors prepare the financial statements. Management is aware of the risk associated with not preparing our own financial statements. Management will continue to review the financial statements and note disclosure each year to ensure fair presentation for the Unit.

Completion Date – The Unit will implement when internal resources become available.

