PEACE GARDEN
SPECIAL SERVICES

FINANCIAL STATEMENTS
JUNE 30, 2021

WITH INDEPENDENT AUDITOR'S REPORT

PEACE GARDEN SPECIAL SERVICES

TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2021

PEACE GARDEN SPECIAL SERVICES

PEACE GARDEN SPECIAL SERVICES OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2021

June 30, 2021

Jason Kersten	Board Chairperson
Pat Brenden	Board Vice-Chairperson
Evan Wilhelm	Parent
David Sjol	Superintendent
Erik Sveet	Superintendent
Keith Campbell	Superintendent
Mike McNeff	Superintendent
Paul Frydenlund	Superintendent
Wade Sherwin	Superintendent
Melissa Deckert	Executive Director
Deborah Nelson	Business Manager

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INDEPENDENT AUDITOR'S REPORT

School Board and Administration
Peace Garden Special Services
Bottineau, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of **Peace Garden Special Services** as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise **Peace Garden Special Services'** 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 audits. We conducted our audits 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 audits 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.

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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 major fund of **Peace Garden Special Services**, as of June 30, 2021, and the respective changes in financial position thereof 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 Budgetary Comparison Schedule – General Fund, Schedule of Employer's Share of Net Pension and OPEB Liabilities, Schedule of Employer Contributions, and Notes to the Required Supplementary Information, as listed in the table of contents 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.

Other Information
The **Peace Garden Special Services** officials listing has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022, on our consideration of **Peace Garden Special Services'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **Peace Garden Special Services'** 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 **Peace Garden Special Services'** internal control over financial reporting and compliance.

Widmer Roel PC

Fargo, North Dakota
March 28, 2022

PEACE GARDEN SPECIAL SERVICES

STATEMENT OF NET POSITION
JUNE 30, 2021

		Governmental Activities
ASSETS		
Cash and investments	$	132,235
Intergovernmental receivable		320,190
Capital assets, net		27,466
Total assets		479,891
DEFERRED OUTFLOWS OF RESOURCES		
Derived form pension and OPEB		1,067,364
Total assets and deferred outflows of resources	$	1,547,255
LIABILITIES		
Accounts payable	$	27,122
Long-term liabilities		
Net pension liability		2,412,170
Total liabilities		2,439,292
DEFERRED INFLOWS OF RESOURCES		
Derived from pension and OPEB		329,205
NET POSITION		
Net investment in capital assets		27,466
Unrestricted		(1,248,708)
Total net position		(1,221,242)
Total liabilities, deferred inflows of resources and net position	$	1,547,255

PEACE GARDEN SPECIAL SERVICES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Revenue (Expense) and Change in Net Position Total
GOVERNMENTAL ACTIVITIES				
Preschool instruction	$ 155,213	$ -	$ 42,681	$ (112,532)
Speech impaired instruction	246,407	-	178,103	(68,304)
Emotionally disturbed	148,158	-	107,088	(41,070)
Social work service	97,387	-	70,392	(26,995)
Counseling services	40,945	-	29,595	(11,350)
Psychological services/testing	119,173	-	86,138	(33,035)
Speech pathology services	177,480	-	128,282	(49,198)
Occupational therapy	133,353	-	96,387	(36,966)
Physical therapy	88,205	-	63,755	(24,450)
Other student support service	304,160	-	219,846	(84,314)
Support service instructional staff	170,429	-	-	(170,429)
School/governance board services	39,947	-	-	(39,947)
Special area admin. service	340,334	-	245,993	(94,341)
Support service business	36,505	-	26,385	(10,120)
Services provided for another LEA	217,054	694,807	-	477,753
Tuition & assessments	5,594	-	5,594	-
Total governmental activities	$ 2,320,344	$ 694,807	$ 1,300,239	(325,298)

GENERAL REVENUES	
Member districts	40,944
Interest and investment earnings	346
Other revenues	19,399
Total general revenues	60,689
Change in net position	(264,609)
Net position - July 1	(956,633)
Net position - June 30	$ (1,221,242)

PEACE GARDEN SPECIAL SERVICES

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund
ASSETS	
Cash and cash equivalents	$ 132,235
Accounts receivable	320,190
Total assets	$ 452,425
LIABILITIES	
Accounts payable	$ 27,122
FUND BALANCES	
Unassigned	425,303
Total liabilities and fund balances	$ 452,425

See Notes to Financial Statements

PEACE GARDEN SPECIAL SERVICES

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances for governmental funds		$	425,303
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds			
Cost of capital assets	151,681		
Less accumulated depreciation	(124,215)		
			27,466
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds			
Deferred outflows of resources related to pensions and OPEB	1,067,364		
Deferred inflows of resources related to pensions and OPEB	(329,205)		
			738,159
Long-term liabilities applicable to the Special Educarion Unit's net pension liability are not due and payable in the current period and accordingly are not reported as fund liabilities - both current and long-term are reported in the statement of net position			
Net pension liability			(2,412,170)
Total net position of governmental activities		$	(1,221,242)

PEACE GARDEN SPECIAL SERVICES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund
REVENUES	
Local sources	$ 47,538
State sources	199,183
Federal sources	1,114,207
Revenue from other sources	694,807
Total revenues	2,055,735
EXPENDITURES	
Preschool instruction	143,037
Speech impaired instruction	226,517
Emotionally disturbed	137,722
Social work service	71,180
Counseling services	28,531
Psychological services/testing	109,606
Speech pathology services	155,560
Occupational therapy	100,249
Physical therapy	66,136
Other student support service	305,041
Support service instructional staff	160,863
School/governance board services	14,977
Special area admin. service	330,386
Support service business	36,505
Services provided for another LEA	210,097
Tuition & assessments	5,594
Total expenditures	2,102,001
Net change in fund balances	(46,266)
FUND BALANCES - JULY 1	471,569
FUND BALANCES - JUNE 30	$ 425,303

PEACE GARDEN SPECIAL SERVICES

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds		$	(46,266)
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. In the current period these amounts are:			
Depreciation expense			(9,630)
In the statement of activities, only the loss on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or disposed:			
Adjustments	3,099		
Additions	14,324		
Loss on disposal of capital assets	(1,347)		
			16,076
The net pension and OPEB liabilities, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to the pensions and OPEB do not involve financial resources, and are not reported in the funds.			
Increase in net pension and OPEB liabilities	(968,395)		
Increase in deferred outflows of resources	679,389		
Increase in deferred inflows of resources	64,217		
			(224,789)
Change in net position of governmental activities		$	(264,609)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Peace Garden Special Services operates under Chapter 15.1-33 of the North Dakota Century Code. The financial statements of Peace Garden Special Services (the Unit or Special Education Unit) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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 Unit's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the Special Education Unit. The Unit has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the Unit are such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Unit to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Peace Garden Special Services. Based on these criteria, there are no component units to be included within Peace Garden Special Services as a reporting entity.

Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government of the Unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Unit's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, interest and non-restricted grants and contributions, are presented as general revenues. *Fund Financial Statements*: The fund financial statements provide information about the Unit's general fund. Separate statements for each fund category-*governmental* are presented. The emphasis of fund financial statements is on the major governmental fund, displayed in a separate column.

The Unit reports the following major governmental fund:

General Fund. This is the Unit's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

(Continued)

Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Unit gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Unit considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Unit funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, both restricted and unrestricted net position is available to finance the program. It is the Unit's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and savings accounts.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the Unit as assets with an initial, individual cost of $500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method of the following estimated useful lives:

Computer equipment	5 years
Office furniture and equipment	10 or 15 years
Audio and visual equipment	5 years
Transportation vehicles and equipment	5 years
Other fixed assets	5 years

(Continued)

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Fund Balance

Fund Balance Spending Policy

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned. Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

The School District classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes funds balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the Business Manager.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Unit reports unassigned fund balance in the balance sheet in the general fund at each year-end. The Unit has no other funds to report.

(Continued)

Net Position

When both restricted and unrestricted resources are available for use, it is the Unit's policy to first use restricted resources, then unrestricted resources as they are needed. Net investment in capital assets in the statement of net position is shown for capital assets less accumulated depreciation, and less any related debt used to finance the purchase and construction of those capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending. Unrestricted net position consists of activity related to the general fund. The unrestricted net position is available to meet the Unit's ongoing obligations.

NOTE 2 – CASH AND CASH EQUIVALENTS

In accordance with North Dakota Statutes, the Unit maintains deposits at the 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 institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. 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 deposit, 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 body and bonds issued by another state of the United States or such other securities approved by the banking board.

At the years ended June 30, 2021, the Unit's carrying amounts of deposits were $132,235 and the bank balance was $246,644. These balances were fully covered by Federal Depository Insurance.

Credit Risk:

Peace Garden Special Services 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 it may invest in any one issuer. The District does not have a policy limiting the amount the Unit may invest in any one issuer.

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of amounts due from the State of North Dakota for appropriated amounts or grant payments, as well as contract payments from member or other school districts. Amounts are all considered collectible and no allowed for uncollectable receivables is deemed necessary.

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Beginning Balance	Adjustments	Additions	Dispositions	Ending Balance
Capital assets					
Office Furniture & Equipment	$ 86,513	$ 80,690	$ 14,324	$ (29,846)	$ 151,681
Less accumulated depreciation for					
Office Furniture & Equipment	65,493	77,591	9,630	(28,499)	124,215
Capital assets, net	$ 21,020	$ 3,099	$ 4,694	$ (1,347)	$ 27,466

All depreciation expense, totaling $9,630 in 2021 was charged to the office furniture and equipment function.

NOTE 5 – RISK MANAGEMENT

The 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.

In 1986, state agencies and political subdivisions of the State of North Dakota 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. The Unit pays an annual premium to NDIRF for its general liability, personal injury, and assets coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, automobile coverage, and other personal property.

NOTE 6 – PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teacher's Fund for Retirement ("TFFR")

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.

(Continued)

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.

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

Tier 1 Non-grandfathered

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

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

(Continued)

Tier 2

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

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

Death and Disability Benefits

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

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

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 $1,403,407 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 0.09169575 percent, which was an increase of .01552921 from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the Unit recognized pension expense of $176,972. 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	$ 289	$ 52,667
Changes of assumptions	63,166	-
Net difference between projected and actual earnings on pension plan investments	86,634	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	229,375	107,861
Employer contributions subsequent to the measurement date	90,005	-
	$ 469,469	$ 160,528

$90,005 reported as deferred outflows of resources related to pensions resulting from the Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year ended June 30:	
2022	$ 54,696
2023	40,238
2024	46,177
2025	34,140
2026	9,518
Thereafter	34,167

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.

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%

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 July 1, 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 Unit'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 as of:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Unit's proportionate share of net pension liability	$ 1,869,262	$ 1,403,407	$ 1,016,257

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.

(Continued)

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System) ("NDPERS")

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 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 for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

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, 2021, the Unit reported a liability of $983,320 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net pension liability was based on the Unit's share of the covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Unity's proportion was 0.031256 percent, which was a decrease of 0.000403 percent from its proportion measured as of June 30, 2019.

(Continued)

For the year ended June 30, 2021, the Unit recognized pension expense of $164,593. 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	$ 3,826	$ 49,826
Changes of assumptions	527,122	87,146
Net difference between projected and actual earnings on pension plan investments	31,737	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	29,015
Employer contributions subsequent to the measurement date	25,872	-
	$ 588,557	$ 165,987

$25,872 reported as deferred outflows of resources related to pensions resulting from the Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year ended June 30:	
2021	$ 114,852
2022	101,032
2023	82,554
2024	98,260
2025	-
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%

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 Unit'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:

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Unit's proportionate share of net pension liability	$ 1,275,784	$ 983,320	$ 744,014

Pension Plan Fiduciary Net Position

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

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) – ND PERS

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2021, the Unit reported a liability of $25,443 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 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 June 30, 2020, the Unit’s proportion was 0.030246 percent, which was an increase of 0.000735 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Unit recognized OPEB expense of $3,354. 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	$ 566	$ 610
Changes of assumptions	3,411	-
Net difference between projected and actual earnings on pension plan investments	875	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	344	2,080
Employer contributions subsequent to the measurement date	4,142	-
	$ 9,338	$ 2,690

$4,142 reported as deferred outflows of resources related to OPEB resulting from the Unit contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

Year ended June 30:	
2021	$ 511
2022	737
2023	695
2024	449
2025	126
Thereafter	(12)

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 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%
Domestic fixed income	40%	1.15%
International equities	21%	6.45%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/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.

Sensitivity of the Unit'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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Unit's proportionate share of net pension liability	$ 33,369	$ 25,443	$ 18,740

PEACE GARDEN SPECIAL SERVICES

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

PEACE GARDEN SPECIAL SERVICES

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION AND OPEB LIABILITIES
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net Pension Liability

Pension Plan	Measurement Date	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
ND TFFR	6/30/2020	0.091696%	$ 1,403,407	$ 669,068	209.76%	63.4%
ND TFFR	6/30/2019	0.076167%	$ 1,049,006	$ 534,330	196.32%	65.5%
ND TFFR	6/30/2018	0.087812%	$ 1,170,411	$ 596,955	196.06%	65.5%
ND TFFR	6/30/2017	0.083789%	$ 1,150,862	$ 545,551	210.95%	63.2%
ND TFFR	6/30/2016	0.082304%	$ 1,205,800	$ 534,749	225.49%	59.2%
ND TFFR	6/30/2015	0.081928%	$ 1,071,500	$ 503,942	212.62%	62.1%
ND TFFR	6/30/2014	0.075491%	$ 791,012	$ 437,889	180.64%	66.6%
ND PERS	6/30/2020	0.031256%	$ 983,320	$ 344,790	285.19%	48.9%
ND PERS	6/30/2019	0.031659%	$ 371,066	$ 329,305	112.68%	71.7%
ND PERS	6/30/2018	0.033536%	$ 565,957	$ 344,523	164.27%	62.8%
ND PERS	6/30/2017	0.034946%	$ 561,697	$ 356,741	157.45%	62.0%
ND PERS	6/30/2016	0.035142%	$ 342,493	$ 354,144	96.71%	70.5%
ND PERS	6/30/2015	0.038176%	$ 259,590	$ 340,101	76.33%	77.2%
ND PERS	6/30/2014	0.036180%	$ 229,642	$ 304,769	75.35%	77.7%

*Complete data for this schedule is not available prior to 2014.

Schedule of Employer's Share of Net OPEB Liability

Pension Plan	Measurement Date	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
OPEB	6/30/2020	0.030246%	25,443	344,790	7.38%	63.4%
OPEB	6/30/2019	0.029511%	23,703	329,305	7.20%	63.1%
OPEB	6/30/2018	0.031486%	24,797	344,523	7.20%	61.9%
OPEB	6/30/2017	0.032975%	26,084	356,741	7.31%	59.8%

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

PEACE GARDEN SPECIAL SERVICES

SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS*

Schedule of Employer's Contributions

Pension Plan	Measurement Date	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
ND TFFR	6/30/2020	$ 90,005	$ (90,005)	$ -	$ 669,068	13.45%
ND TFFR	6/30/2019	$ 68,127	$ (68,127)	$ -	$ 534,330	12.75%
ND TFFR	6/30/2018	$ 76,112	$ (76,112)	$ -	$ 596,955	12.75%
ND TFFR	6/30/2017	$ 72,108	$ (72,108)	$ -	$ 565,511	12.75%
ND TFFR	6/30/2016	$ 68,180	$ (68,180)	$ -	$ 534,749	12.75%
ND TFFR	6/30/2015	$ 64,250	$ (64,250)	$ -	$ 503,942	12.75%
ND TFFR	6/30/2014	$ 47,073	$ (47,073)	$ -	$ 437,889	10.75%
ND PERS	6/30/2020	$ 24,414	$ (24,645)	$ (231)	$ 344,790	7.15%
ND PERS	6/30/2019	$ 23,975	$ (23,532)	$ 443	$ 329,305	7.15%
ND PERS	6/30/2018	$ 25,375	$ (22,421)	$ 2,954	$ 344,523	6.51%
ND PERS	6/30/2017	$ 25,868	$ (25,155)	$ 713	$ 356,741	7.05%
ND PERS	6/30/2016	$ 25,640	$ (25,917)	$ (277)	$ 354,144	7.32%
ND PERS	6/30/2015	$ 25,833	$ (22,808)	$ 3,025	$ 340,101	7.60%
ND PERS	6/30/2014	$ 21,700	$ (21,700)	$ -	$ 304,769	7.12%

*Complete data for this schedule is not available prior to 2014.

Schedule of Employer's OPEB Contributions

Pension Plan	Measurement Date	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
OPEB	6/30/2020	4,051	(3,946)	105	344,790	1.14%
OPEB	6/30/2019	3,830	(3,768)	62	329,305	1.14%
OPEB	6/30/2018	4,041	(3,590)	451	344,523	1.04%
OPEB	6/30/2017	4,147	(4,028)	119	356,741	1.13%

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

PEACE GARDEN SPECIAL SERVICES

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
REVENUES				
Local sources	$ 46,344	$ 46,344	$ 47,538	$ 1,194
State sources	417,000	417,000	199,183	(217,817)
Federal sources	1,220,811	1,220,811	1,114,207	(106,604)
Revenue from other sources	650,000	650,000	694,807	44,807
Total revenues	2,334,155	2,334,155	2,055,735	(278,420)
EXPENDITURES				
Preschool instruction	95,873	95,873	143,037	47,164
Speech impaired instruction	256,309	256,309	226,517	(29,792)
Emotionally disturbed	129,650	129,650	137,722	8,072
Social work service	73,315	73,315	71,180	(2,135)
Counseling services	28,549	28,549	28,531	(18)
Psychological services/testing	115,409	115,409	109,606	(5,803)
Speech pathology services	151,494	151,494	155,560	4,066
Occupational therapy	101,701	101,701	100,249	(1,452)
Physical therapy	95,701	95,701	66,136	(29,565)
Other student support service	299,000	299,000	305,041	6,041
Support service instructional staff	184,226	184,226	160,863	(23,363)
School/governance board services	16,899	16,899	14,977	(1,922)
Special area admin. service	392,149	392,149	330,386	(61,763)
Support service business	36,511	36,511	36,505	(6)
Services provided for another LEA	210,033	210,033	210,097	64
Tuition & assessments	200,000	200,000	5,594	(194,406)
Total expenditures	2,386,819	2,386,819	2,102,001	(284,818)
Net change in fund balance	(52,664)	(52,664)	(46,266)	6,398
FUND BALANCE, JULY 1	471,569	471,569	471,569	-
FUND BALANCE, JUNE 30	$ 418,905	$ 418,905	$ 425,303	$ 6,398

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund. A budgetary comparison schedule is presented for the general fund.

- Peace Garden Special Services adopts an appropriated budget on the modified accrual basis of accounting.
- Annually on or before September tenth, Peace Garden Special Services prepares a preliminary budget.
- The preliminary budget includes the estimated revenues and appropriations for the general fund of Peace Garden Special Services.
- Peace Garden Special Services shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, Peace Garden Special Services shall make any changes in the items or amounts shown in the preliminary budget.
- The final budget must be filed with the county auditor before October 10th so that the county has adequate time to prepare the appropriate mill levy for Peace Garden Special Services.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2 – PENSION PLAN – CHANGES OF ASSUMPTIONS

North Dakota Teacher's Fund for Retirement Changes of Assumptions

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

- Investment return assumption lowered from 7.75% to 7.25%.
- Inflation assumption lowered from 2.75% to 2.30%.
- Individual salary increases were lowered.
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience.
- The post-retirement health 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.

Amounts reported in 2016-2020 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.

(Continued)

- 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.

North Dakota Public Employees Retirement System (Main System) ("NDPERS") – 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.

North Dakota Public Employees Retirement System (Main System) ("NDPERS") – 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 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

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

NOTE 3 – OTHER POST EMPLOYMENT BENEFITS – CHANGES OF ASSUMPTIONS

Other Post-Employment Benefits (OPEB) – 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.

Other Post-Employment Benefits (OPEB) – 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.