

PEACE GARDEN SPECIAL SERVICES

FINANCIAL STATEMENTS

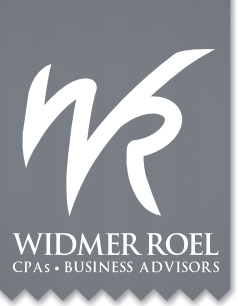
JUNE 30, 2022

WITH INDEPENDENT AUDITOR'S REPORT

PEACE GARDEN SPECIAL SERVICES

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4220 31st Avenue S.
Fargo, ND 58104-8725

Phone: 701.237.6022
Toll Free: 888.237.6022
Fax: 701.280.1495

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, and major fund of **Peace Garden Special Services** as of and for the year ended June 30, 2022, 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.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 1 of the financial statements, **Peace Garden Special Services** updated its capitalization policy, which resulted in a prior period adjustment to remove the balance of property and equipment no longer capitalized under the new policy. This represents a change in accounting policy. Our opinion is not modified with respect to this matter.

Emphasis of Matter – New Accounting Standard

As discussed in Note 1 of the financial statements, the **Peace Garden Special Services** adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87 *Leases*, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Peace Garden Special Services'** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Peace Garden Special Services'** ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Employer's Share of Net Pension and OPEB Liability, Schedule of Employer Contributions, Budgetary Comparison Schedule - General Fund, and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2023, on our consideration of the **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.



Fargo, North Dakota
February 8, 2023

PEACE GARDEN SPECIAL SERVICES

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 369,714
Intergovernmental receivable	249,249
Capital assets, net	<u>2,706</u>
Total assets	<u>621,669</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions and OPEB	<u>738,232</u>
Total assets and deferred outflows of resources	\$ <u><u>1,359,901</u></u>
LIABILITIES	
Accounts payable	\$ 245,243
Long-term liabilities	
Net pension liability	<u>1,318,101</u>
Total liabilities	<u>1,563,344</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions and OPEB	<u>1,077,458</u>
NET POSITION	
Net investment in capital assets	2,706
Unrestricted	<u>(1,283,607)</u>
Total net position	<u>(1,280,901)</u>
Total liabilities, deferred inflows of resources and net position	\$ <u><u>1,359,901</u></u>

PEACE GARDEN SPECIAL SERVICES

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Preschool instruction	\$ 111,500	\$ -	\$ 28,498	\$ (83,002)
Speech impaired instruction	396,494	-	346,000	(50,494)
Social work service	80,683	-	70,408	(10,275)
Counseling services	30,942	-	27,002	(3,940)
Psychological services/testing	118,906	-	103,763	(15,143)
Speech pathology services	1,077	-	939	(138)
Occupational therapy	194,005	-	169,298	(24,707)
Physical therapy	67,752	-	59,124	(8,628)
Other student support service	173,000	-	150,968	(22,032)
Support service instructional staff	311,499	-	-	(311,499)
School/governance board services	22,142	-	-	(22,142)
Special area admin. service	361,160	-	315,165	(45,995)
Support service business	37,849	-	33,029	(4,820)
Support service central	21,320	-	-	(21,320)
Services provided for another LEA	162,151	691,534	-	529,383
Tuition & assessments	210,748	-	210,748	-
Other support service	157,707	-	170,195	12,488
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	\$ <u>2,458,935</u>	\$ <u>691,534</u>	\$ <u>1,685,137</u>	<u>(82,264)</u>

GENERAL REVENUES

Member districts	43,404
Interest and investment earnings	253
Other revenues	<u>2,247</u>
 Total general revenues	 <u>45,904</u>
 Change in net position	 <u>(36,360)</u>
 Net position - July 1, as previously reported	 (1,221,241)
Prior period adjustment - Note 1	<u>(23,300)</u>
Net position - July 1, as restated	<u>(1,244,541)</u>
 Net position - June 30	 \$ <u><u>(1,280,901)</u></u>

PEACE GARDEN SPECIAL SERVICES
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 369,714
Accounts receivable	<u>249,249</u>
Total assets	\$ <u><u>618,963</u></u>
LIABILITIES	
Accounts payable	\$ <u>245,243</u>
FUND BALANCES	
Unassigned	<u>373,720</u>
Total liabilities and fund balances	\$ <u><u>618,963</u></u>

PEACE GARDEN SPECIAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances for governmental funds		\$	373,720
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>			
<p>Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.</p>			
Cost of capital assets			8,112
Less accumulated depreciation			(5,406)
			2,706
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.</p>			
Deferred outflows of resources related to pensions			738,232
Deferred inflows of resources related to pensions			(1,077,458)
			(339,226)
<p>Long-term liabilities applicable to the 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.</p>			
Net pension liability			(1,318,101)
Total net position of governmental activities		\$	(1,280,901)

PEACE GARDEN SPECIAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>
REVENUES	
Local sources	\$ 45,905
State sources	363,970
Federal sources	1,321,167
Revenue from other sources	<u>691,534</u>
Total revenues	<u>2,422,576</u>
EXPENDITURES	
Preschool instruction	107,736
Speech impaired instruction	411,015
Social work service	79,414
Counseling services	29,673
Psychological services/testing	122,871
Speech pathology services	1,077
Occupational therapy	187,538
Physical therapy	66,738
Other student support service	173,276
Support service instructional staff	317,311
School/governance board services	22,142
Special area admin. service	364,245
Support service business	37,849
Support service central	21,320
Services provided for another LEA	163,499
Tuition and assessments	210,748
Other support service	<u>157,707</u>
Total expenditures	<u>2,474,159</u>
Net change in fund balances	<u>(51,583)</u>
FUND BALANCES - JULY 1	<u>425,303</u>
FUND BALANCES - JUNE 30	<u>\$ 373,720</u>

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, 2022**

Net change in fund balances - total governmental funds \$ (51,583)

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 (1,460)

The net pension and OPEB liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to the pension and OPEB do not involve financial resources, and are not reported in the funds.

Increase in net pension and OPEB liability	1,094,069	
Increase in deferred outflows of resources	(329,133)	
Increase in deferred inflows of resources	(748,253)	
	<u>16,683</u>	<u>16,683</u>

Change in net position of governmental activities \$ (36,360)

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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 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 Peace Garden Special Services' accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of Peace Garden Special Services. Peace Garden Special Services 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 Peace Garden Special Services 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 Peace Garden Special Services 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 Peace Garden Special Services. 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 Peace Garden Special Services' 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 Peace Garden Special Services' 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.

Peace Garden Special Services reports the following major governmental fund:

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

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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 Peace Garden Special Services 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. Peace Garden Special Services 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, Peace Garden Special Services 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 Peace Garden Special Services' 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 Peace Garden Special Services' policy to use restricted resources first, then unrestricted resources, as they are needed.

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditure in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

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 Peace Garden Special Services as assets with an initial, individual cost of \$5,000. 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.

(Continued)

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

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. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

<i>CLASSIFICATION</i>	<i>DEFINITION</i>	<i>EXAMPLES</i>
Non-spendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance.	Available for any remaining general fund expenditure.

Peace Garden Special Services reports unassigned fund balance in the balance sheet in the general fund at each year-end. Peace Garden Special Services has no other funds to report.

Net Position

When both restricted and unrestricted resources are available for use, it is Peace Garden Special Services 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 Peace Garden Special Services' ongoing obligations.

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Prior Period Adjustment – Change in Accounting Policy

Peace Garden Special Services updated its capitalization policy effective June 30, 2021. The policy increased the capitalization threshold from \$500 to \$5,000 which resulted in the removal of all assets under \$5,000 that were previously being depreciated and the related accumulated depreciation. The prior period adjustment accounts for the net effect of property and equipment, and accumulated depreciation being removed from Peace Garden Special Services' financial statements. The beginning net position on the statement of revenues, expenditures, and changes in the net position has been restated to reflect this change.

New Accounting Pronouncement

After analyzing GASB Statement No. 87, *Leases*, management has not recorded any lease liabilities or right of use assets as they have deemed the amounts to be immaterial to the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

In accordance with North Dakota statutes, Peace Garden Special Services 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 year ended June 30, 2022, Peace Garden Special Services' carrying amounts of deposits were \$369,714 and the bank balance was \$542,125. Of these balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

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.

(Continued)

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Concentration of Credit Risk:

Peace Garden Special Services does not have a limit on the amount it 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.

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets				
Office furniture and equipment - as restated	\$ 8,112	\$ -	\$ -	\$ 8,112
Less accumulated depreciation for Office furniture and equipment - as restated	<u>3,946</u>	<u>1,460</u>	<u>-</u>	<u>5,406</u>
Capital assets, net	\$ <u><u>4,166</u></u>	\$ <u><u>(1,460)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,706</u></u>

All depreciation expense, totaling \$1,461 in 2022 was charged to the office furniture and equipment function.

NOTE 5 – RISK MANAGEMENT

Peace Garden Special Services 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. Peace Garden Special Services 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.

Peace Garden Special Services has workers compensation with the North Dakota Workforce Safety and Insurance.

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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.

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.

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PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

Tier 2

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

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

Death and Disability Benefits

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

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

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.

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

At June 30, 2022, Peace Garden Special Services reported a liability of \$965,090 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Peace Garden Special Services' proportion of the net pension liability was based on Peace Garden Special Services' share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2021, Peace Garden Special Services' proportion was 0.09159449 percent, which was a decrease of .00010126 from its proportion measured as of July 1, 2020.

For the year ended June 30, 2022, Peace Garden Special Services recognized pension expense of \$62,933. At June 30, 2022, Peace Garden Special Services reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,705	\$ 40,700
Changes of assumptions	33,898	-
Net difference between projected and actual earnings on pension plan investments	-	282,785
Changes in proportion and differences between employer contributions and proportionate share of contributions	178,126	87,551
District contributions subsequent to the measurement date	<u>92,298</u>	<u>-</u>
	\$ <u>311,027</u>	\$ <u>411,036</u>

\$92,298 reported as deferred outflows of resources related to pensions resulting from Peace Garden Special Services contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Year ended June 30:	
2022	\$ (49,486)
2023	(43,554)
2024	(55,580)
2025	(80,183)
2026	34,942
Thereafter	1,554

(Continued)

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Actuarial Assumptions

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

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expense, including inflation
Cost-of-living adjustments	None

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

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

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

The long-term expected rate of return on 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equities	55%	6.87%
Global fixed income	26%	0.74%
Global real assets	18%	4.8%
Cash equivalents	1%	-1.0%

(Continued)

PEACE GARDEN SPECIAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Discount Rate

The discount rate used to measure the total pension liability was 7.25% percent as of June 30, 2021. 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, 2021, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, 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, 2021. 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, 2021.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Peace Garden Special Services' proportionate share of the net pension liability calculated using the discount rate of 7.25 percent as of June 30, 2021, as well as what Peace Garden Special Services' 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%)
District's proportionate share of net pension liability	\$ <u>1,449,119</u>	\$ <u>965,090</u>	\$ <u>563,154</u>

Pension Plan Fiduciary Net Position

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

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.

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

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.

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

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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, 2022, Peace Garden Special Services reported a liability of \$334,474 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Peace Garden Special Services' proportion of the net pension liability was based on the Peace Garden Special Services' 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, 2021, Peace Garden Special Services' proportion was 0.032090 percent, which was an increase of 0.000834 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, Peace Garden Special Services recognized pension expense of \$44,626. At June 30, 2022, Peace Garden Special Services reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,774	\$ 34,138
Changes of assumptions	370,198	482,661
Net difference between projected and actual earnings on pension plan investments	-	124,051
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,829	17,076
District contributions subsequent to the measurement date	<u>30,183</u>	<u>-</u>
	\$ <u>416,984</u>	\$ <u>657,926</u>

\$30,183 reported as deferred outflows of resources related to pensions resulting from Peace Garden Special Services contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

(Continued)

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

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	\$	(43,545)
2022		(62,570)
2023		(46,563)
2024		(118,447)
2025		-
Thereafter		-

Actuarial Assumptions

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30%	6.00%
International equity	21%	6.70%
Private equity	7%	9.50%
Domestic fixed income	23%	0.73%
Global real assets	19%	4.77%

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PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Discount Rate

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of net pension liability	\$ <u>531,926</u>	\$ <u>334,474</u>	\$ <u>170,064</u>

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 7 – 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.

PEACE GARDEN SPECIAL SERVICES

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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.

PEACE GARDEN SPECIAL SERVICES

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

At June 30, 2022, the Peace Garden Special Services reported a liability of \$18,537 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. Peace Garden Special Services' proportion of the net OPEB liability was based on Peace Garden Special Services' share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Peace Garden Special Services' proportion was 0.033330 percent, which was an increase of 0.003084 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, Peace Garden Special Services recognized OPEB expense of \$2,457. At June 30, 2022, Peace Garden Special Services reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,064	\$ 508
Changes of assumptions	2,871	-
Net difference between projected and actual earnings on pension plan investments	-	6,351
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,811	1,637
District contributions subsequent to the measurement date	<u>4,475</u>	<u>-</u>
	\$ <u><u>10,221</u></u>	\$ <u><u>8,496</u></u>

\$4,475 reported as deferred outflows of resources related to OPEB resulting from Peace Garden Special Services contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Year ended June 30:	
2021	\$ (460)
2022	(506)
2023	(777)
2024	(1,148)
2025	141
Thereafter	-

(Continued)

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Actuarial Assumptions

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

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

For active members, inactive members and healthy retirees, mortality rates were based on the 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap domestic equities	33%	5.85%
Small cap domestic equities	6%	6.75%
Core-plus fixed income	35%	0.50%
International equities	26%	6.25%

Discount Rate

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

PEACE GARDEN SPECIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's proportionate share of net pension liability	\$ <u>27,493</u>	\$ <u>18,537</u>	\$ <u>10,959</u>

PEACE GARDEN SPECIAL SERVICES

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

PEACE GARDEN SPECIAL SERVICES
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION AND OPEB LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2021	0.091594%	\$ 965,090	\$ 705,918	136.71%	75.7%
ND TFFR	6/30/2020	0.091696%	\$ 1,403,407	\$ 669,068	209.76%	65.5%
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	6/30/2021	0.032090%	\$ 334,474	\$ 363,381	92.04%	78.3%
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

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion of the Net OPEB Liability</u>	<u>Employer's Proportionate Share of the Net OPEB Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
OPEB	6/30/2021	0.033330%	18,537	363,381	5.10%	76.6%
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

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND TFFR	6/30/2021	\$ 90,005	\$ (90,005)	\$ -	\$ 705,918	12.75%
ND TFFR	6/30/2020	\$ 85,307	\$ (85,307)	\$ -	\$ 669,068	12.75%
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	6/30/2021	\$ 26,798	\$ (25,649)	\$ 1,149	\$ 363,381	7.06%
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

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
OPEB	6/30/2021	4,370	(4,107)	263	363,381	1.13%
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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local sources	\$ 48,804	\$ 48,804	\$ 45,905	\$ (2,899)
State sources	433,356	433,356	363,970	(69,386)
Federal sources	1,998,048	1,998,048	1,321,167	(676,881)
Revenue from other sources	<u>696,513</u>	<u>696,513</u>	<u>691,534</u>	<u>(4,979)</u>
Total revenues	<u>3,176,721</u>	<u>3,176,721</u>	<u>2,422,576</u>	<u>(754,145)</u>
EXPENDITURES				
Preschool instruction	106,271	118,016	107,736	(10,280)
Speech impaired instruction	410,879	411,390	411,015	(375)
Social work service	80,777	112,942	79,414	(33,528)
Counseling services	29,690	29,690	29,673	(17)
Psychological services/testing	126,314	144,332	122,871	(21,461)
Speech pathology services	-	-	1,077	1,077
Occupational therapy	191,293	259,965	187,538	(72,427)
Physical therapy	72,751	100,993	66,738	(34,255)
Other student support service	220,356	221,023	173,276	(47,747)
Support service instructional staff	277,836	432,864	317,311	(115,553)
School/governance board services	12,449	31,802	22,142	(9,660)
Special area admin. service	347,596	505,322	364,245	(141,077)
Support service business	37,876	37,876	37,849	(27)
Support service central	21,954	30,467	21,320	(9,147)
Services provided for another LEA	188,564	188,564	163,499	(25,065)
Tuition & assessments	200,000	200,000	210,748	10,748
Other support service	<u>20,000</u>	<u>21,260</u>	<u>157,707</u>	<u>136,447</u>
Total expenditures	<u>2,344,606</u>	<u>2,846,506</u>	<u>2,474,159</u>	<u>(372,347)</u>
Net change in fund balance	<u>832,115</u>	<u>330,215</u>	<u>(51,583)</u>	<u>(381,798)</u>
FUND BALANCE, JULY 1	<u>425,303</u>	<u>425,303</u>	<u>425,303</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 1,257,418</u>	<u>\$ 755,518</u>	<u>\$ 373,720</u>	<u>\$ (381,798)</u>

PEACE GARDEN SPECIAL SERVICES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

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 tenth 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.

PEACE GARDEN SPECIAL SERVICES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

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

North Dakota Public Employees Retirement System (Main System) (“NDPERS”) – Changes of assumptions

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

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, 2020.

Other Post-Employment Benefits (OPEB) – Changes of assumptions

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

PEACE GARDEN SPECIAL SERVICES

**SINGLE AUDIT REPORTS AND
SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
JUNE 30, 2022**



4220 31st Avenue S.
Fargo, ND 58104-8725

Phone: 701.237.6022
Toll Free: 888.237.6022
Fax: 701.280.1495

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Peace Garden Special Services
Bottineau, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and major fund of **Peace Garden Special Services**, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise **Peace Garden Special Services’** basic financial statements and have issued our report thereon dated February 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Peace Garden Special Services’** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Peace Garden Special Services’** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Peace Garden Special Services’** 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we considered to be material weaknesses.

Report on Compliance and Other Matters

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

Peace Garden Special Services' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the **Peace Garden Special Services'** response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. **Peace Garden Special Services'** response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Fargo, North Dakota
February 8, 2023



4220 31st Avenue S.
Fargo, ND 58104-8725

Phone: 701.237.6022
Toll Free: 888.237.6022
Fax: 701.280.1495

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Peace Garden Special Services
Bottineau, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Peace Garden Special Services'** compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of **Peace Garden Special Services'** major federal programs for the year ended June 30, 2022. **Peace Garden Special Services'** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, **Peace Garden Special Services** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **Peace Garden Special Services'** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **Peace Garden Special Services'** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **Peace Garden Special Services'** internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

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

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

We have audited the financial statements of the governmental activities and major fund of **Peace Garden Special Services** as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise **Peace Garden Special Services'** basic financial statements. We issued our report thereon, dated June 30, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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.



Fargo, North Dakota
February 8, 2023

PEACE GARDEN SPECIAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/ Pass- Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipient</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education passed through				
North Dakota Department of Public Instruction				
IDEA B - Grants for Children with Disabilities	84.027	F80427A	\$ -	\$ 1,146,819
IDEA B - Preschool Grant	84.173	F84173A	-	28,498
Individuals with Disabilities Education Act/ American Rescue Plan Act of 2021 (ARP)				
IDEA B	84.027X	F84027X	-	155,850
 Subtotal Department of Education			<u>-</u>	<u>1,331,167</u>
 Total expenditures of federal awards			\$ <u>-</u>	\$ <u>1,331,167</u>

PEACE GARDEN SPECIAL SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Peace Garden Special Services under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of Peace Garden Special Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Peace Garden Special Services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

PEACE GARDEN SPECIAL SERVICES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported

Type of auditor’s report issued on compliance for major programs:	
Special Education Cluster (IDEA) (84.027, 84.173)	Unmodified
Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP) IDEA B (84.027X)	Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?	<u> </u> yes	<u> X </u> no
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Identification of major programs:

CFDA Number	Name of Federal Program
84.027, 84.173	Special Education Cluster (IDEA)
84.027X	Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP) IDEA B

Dollar threshold used to distinguish between type A and type B programs:	<u> \$750,000 </u>
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Auditee qualified as <u>low-risk</u> auditee?	<u> </u> yes	<u> X </u> no
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PEACE GARDEN SPECIAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

Criteria

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting, and reconciliation.

Cause

Due to the size of Peace Garden Special Services, management has determined it is not practical to have sufficient staff to ensure adequate segregation of approval, custody of assets, posting, and reconciliation.

Effect

Inadequate segregation of duties could adversely affect the Peace Garden Special Services' ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees or management in the normal course of performing their assigned functions.

Recommendation

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the Peace Garden Special Services implement and/or continue the following:

- All invoices should be reviewed and approved by an administrator and the Governing Board.
- Ideally, all checks should be signed by a Governing Board member. Signature stamps should be kept separate from the check processor.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments, signing checks, and preparing the back reconciliation.
- Monthly income statements and balance sheets should be reviewed and approved by a responsible official and the Governing Board.
- Bank reconciliations should be reviewed and approved by someone separate from bank reconciliation responsibilities.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

Views of Responsible Officials

Peace Garden Special Services will continue to develop controls through cross training of duties and responsibilities. Any new employees in the district office have been cross trained in all duties.

PEACE GARDEN SPECIAL SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

2022-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Condition

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures and the schedule of expenditures of federal awards, in conformity with generally accepted accounting principles.

Criteria

As a matter of internal control, management should be responsible for and capable of preparing financial statements, notes to the financial statements, and the schedule of expenditures of federal awards in conformity with generally accepted accounting principles.

Cause

The Governing Board feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect

Without the assistance of the auditors, the financial statements and the schedule of expenditures of federal awards could be misstated or omit material financial statement disclosures.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Views of Responsible Officials

Peace Garden Special Services agrees with this finding and does not have the resources to prepare financial statements at this time.

SECTION III – MAJOR FEDERAL AWARD PROGRAM FINDINGS

None noted.

PEACE GARDEN SPECIAL SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

2022-A (MATERIAL WEAKNESS) FINANCIAL STATEMENTS PREPARATION

Condition

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures and the schedule of expenditures of federal awards, in conformity with generally accepted accounting principles.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Current Status

Current staff size prevents resolution of the finding. The finding remains open and is reported as 2022-002.

2022-B (MATERIAL WEAKNESS) SEGREGATION OF DUTIES

Condition

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

Recommendation

We would recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that Peace Garden Special Services implement and/or continue the following:

- All invoices should be reviewed and approved by an administrator and the Governing Board.
- Ideally, all checks should be signed by a Governing Board member.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments, signing checks, and preparing the bank reconciliation.
- Monthly income statements and balance sheets should be reviewed and approved by a responsible official and the Governing Board.
- Bank reconciliations should be reviewed and approved by someone separate from bank reconciliation responsibilities.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

Current Status

Current staff size prevents resolution of the finding. The finding remains open and is reported as 2022-001.



Melissa Deckert, Director
309 2nd St East
Bottineau, ND 58318-1104
Phone: 701-228-3743
Toll Free: (ND) 1-800-932-8923
Fax: 701-228-3365
E-mail: pgss@ndak.net

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

The Peace Garden Special Services respectfully submits the following views of responsible officials and planned corrective action for the year ended June 30, 2022.

Name and address of independent public accounting firm:

Widmer Roel PC
4220 31st Ave S
Fargo, ND 58104

Audit period: June 30, 2022

Contact person: Deborah Nelson, Business Manager

The findings from the June 30, 2022 Schedule of Findings and Responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001 – SEGREGATION OF DUTIES

Condition

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

Views of Responsible Officials and Planned Corrective Action

Peace Garden Special Services does not have adequate resources to obtain proper internal controls to properly segregate duties. We will continue to segregate duties to the extent possible.

Anticipated Completion Date: N/A

2022-002 PREPARATION OF GAAP FINANCIAL STATEMENTS

Condition

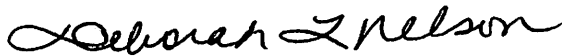
Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures and the schedule of expenditures of federal awards, in conformity with generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Action

The Business Manager along with the Director will review all the footnotes below to provide Widmer Roel PC, with direction on how the special ed unit will address their findings.

Anticipated Completion Date: N/A

Sincerely yours,



Deborah Nelson

Business Manager

Peace Garden Special Services