PEMBINA SPECIAL EDUCATION COOPERATIVE
CAVALIER, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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PEMBINA SPECIAL EDUCATION COOPERATIVE
ROSTER OF OFFICIALS
JUNE 30, 2022

Dean Ralston	Board President
Brian Wolf	Board Vice-President
Kierstin Hurtt	Board Member
Lisa Goldade	Director
Mindy Indridson	Business Manager

INDEPENDENT AUDITOR'S REPORT

Governing Board
Pembina Special Education Cooperative
Cavalier, North Dakota

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Pembina Special Education Cooperative as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Pembina Special Education Cooperative's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pembina Special Education Cooperative, as of June 30, 2022 and 2021, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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 Pembina Special Education Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the Cooperative's contributions to the TFFR and NDPERS pension plans, schedule of Cooperative's contributions to the NDPERS OPEB plan, schedule of Cooperative's proportionate share of net pension liability, and schedule of Cooperative's proportionate share of net OPEB liability, 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 Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024 on our consideration of Pembina Special Education Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pembina Special Education Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pembina Special Education Cooperative's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

February 14, 2024

PEMBINA SPECIAL EDUCATION COOPERATIVE
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash	$ 37,117	$ -
Accounts Receivable	121,753	188,019
Total Current Assets	158,870	188,019
Capital Assets		
Vehicles	34,791	34,791
Less Accumulated Depreciation	(14,910)	(9,940)
Total Capital Assets, Net of Depreciation	19,881	24,851
TOTAL ASSETS	178,751	212,870
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR	47,337	74,917
Cost Sharing Defined Benefit Pension Plan - NDPERS	153,050	191,345
Cost Sharing Defined Benefit OPEB Plan - NDPERS	5,399	5,648
TOTAL DEFERRED OUTFLOWS OF RESOURCES	205,786	271,910
LIABILITIES		
Checks Written in Excess of Balance	-	33,966
Accrued Liabilities	9,049	9,078
Total Current Liabilities	9,049	43,044
Long-Term Liabilities		
Net OPEB Liability	4,236	5,321
Net Pension Liability	257,403	475,768
Total Non-Current Liabilities	261,639	481,089
TOTAL LIABILITIES	270,688	524,133
DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR	81,056	49,088
Cost Sharing Defined Benefit Pension Plan - NDPERS	146,463	28,647
Cost Sharing Defined Benefit OPEB Plan - NDPERS	1,567	128
TOTAL DEFERRED INFLOWS OF RESOURCES	229,086	77,863
NET POSITION		
Net Investment in Capital Assets	19,881	24,851
Unrestricted	(135,118)	(142,067)
TOTAL NET POSITION	$ (115,237)	$ (117,216)

See Notes to the Financial Statements

PEMBINA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Special Education	$ 665,499	$ 388,422	$ 277,942	$ 865
TOTAL GOVERNMENTAL ACTIVITIES	$ 665,499	$ 388,422	$ 277,942	865
	GENERAL REVENUES			
	Other Local Revenues			1,064
	Interest			50
	TOTAL GENERAL REVENUES			1,114
	Change in Net Position			1,979
	Net Position - Beginning			(117,216)
	Net Position - Ending			$ (115,237)

See Notes to the Financial Statements

PEMBINA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Special Education	$ 710,584	$ 361,654	$ 285,159	$ (63,771)
TOTAL GOVERNMENTAL ACTIVITIES	$ 710,584	$ 361,654	$ 285,159	(63,771)
GENERAL REVENUES				
Other Local Revenues				3,641
Interest				51
TOTAL GENERAL REVENUES				3,692
Change in Net Position				(60,079)
Net Position - Beginning				(57,137)
Net Position - Ending				$ (117,216)

See Notes to the Financial Statements

PEMBINA SPECIAL EDUCATION COOPERATIVE
BALANCE SHEETS – GOVERNMENTAL FUNDS
JUNE 30, 2022 AND 2021

	GENERAL FUND	
	2022	2021
ASSETS		
Cash	$ 37,117	$ -
Accounts Receivable	121,753	188,019
TOTAL ASSETS	$ 158,870	$ 188,019
LIABILITIES		
Checks Written in Excess of Balance	$ -	$ 33,966
Accrued Liabilities	9,049	9,078
TOTAL LIABILITIES	9,049	43,044
FUND BALANCES		
Unassigned	149,821	144,975
TOTAL FUND BALANCES	149,821	144,975
TOTAL LIABILITIES AND FUND BALANCES	$ 158,870	$ 188,019

See Notes to the Financial Statements

PEMBINA SPECIAL EDUCATION COOPERATIVE
RECONCILATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022		2021	
Total fund balances - governmental funds		$ 149,821		$ 144,975
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in government funds:				
Cost of capital assets	34,791		34,791	
Less: accumulated depreciation	(14,910)		(9,940)	
Net		19,881		24,851
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows /(inflows) of resources in the governmental funds.		(23,300)		194,047
Long-term liabilities, including special assessments, are not due and payable in the current period period and therefore, are not recorded as liabilities in the governmental funds.				
Net OPEB Liability		(4,236)		(5,321)
Net Pension Liability		(257,403)		(475,768)
Net Position - Governmental Activities		$ (115,237)		$ (117,216)

See Notes to the Financial Statements

PEMBINA SPECIAL EDUCATION COOPERATIVE
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	GENERAL FUND	
	2022	2021
REVENUES		
Local sources		
District assessments	$ 287,199	$ 249,974
Charges for services	101,223	111,680
Other revenue	1,064	3,641
State sources		
Grants-in-aid: unrestricted	24,447	39,126
Federal sources		
Grants-in-aid: restricted received through DPI	253,495	246,033
Interest	50	51
TOTAL REVENUES	667,478	650,505
EXPENDITURES		
Current:		
Preschool special education	4,425	3,718
Speech impaired	342	304
Autism programs	107	399
Emotionally disturbed	370	114
Learning disabled	3,176	34,914
Tuition	87,998	86,271
Psychological services	10,062	13,357
Audiology services	1,562	1,793
Visually Handicapped	-	49
Medical services diagnosis and evaluation	26,754	22,830
Other Health Impaired	337	17
Occupational therapy	6,855	5,088
COTA	45,479	45,720
Physical therapy	43,256	33,133
Support services - instructional	51,179	36,384
School board	3,067	2,201
Support services - administration	200,426	206,060
Support services - business	58,230	62,565
Operation and maintenance of plant	1,013	1,688
Vehicle operation and maintenance	3,698	1,712
Student transportation	2,651	6,978
Central support services	111,645	104,505
TOTAL EXPENDITURES	662,632	669,800
Net Change in Fund Balances	4,846	(19,295)
Fund Balance - Beginning of Year	144,975	164,270
Fund Balance - End of Year	$ 149,821	$ 144,975

See Notes to the Financial Statements

PEMBINA SPECIAL EDUCATION COOPERATIVE

RECONCILATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	2022		2021	
Total net changes in fund balances - Governmental Funds		$ 4,846		$ (19,295)
Amounts reported for governmental activities in the statement of activities are different because:				
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.				
Capital Outlays	-		-	
Depreciation Expense	(4,970)	(4,970)	(4,970)	(4,970)
Changes in deferred outflows and inflows of resources related to net pension liability		(217,347)		220,106
Change in OPEB liability		1,085		(5,321)
Change in net pension liability		218,365		(250,599)
Change in net position - Governmental Activities		$ 1,979		$ (60,079)

See Notes to the Financial Statements

NOTE 1 DESCRIPTION OF THE SPECIAL EDUCATION COOPERATIVE AND REPORTING ENTITY

The Governing Board is comprised of member school district superintendents, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. Generally accepted accounting principles require that the financial statements of the reporting entity include those of the Special Education Cooperative (the primary government) and its component units. A component unit would be included in the Special Education Cooperative's reporting entity because of the significance of their operational or financial relationship with the Special Education Cooperative. The criteria established by GASB Statement No. 14 in determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the cooperative 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 the special education cooperative. The Special Education Cooperative has no component units as defined in GASB Statement No. 14 which should be included in the reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The Cooperative’s basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements:

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the Cooperative as a whole.

The statement of net position presents the financial condition of the governmental activities of the Cooperative at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Cooperative’s governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the Cooperative. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Cooperative.

The government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

Fund Financial Statements:

In order to aid financial management and to demonstrate legal compliance, the Cooperative segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements.

Fund Accounting

The Cooperative's funds consist of the following:

Governmental Funds:

Governmental funds are utilized to account for most of the Cooperative's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The Cooperative's major governmental fund is as follows:

General Fund:

This fund is the general operating fund of the Cooperative. It accounts for all financial resources except those requiring to be accounted for in another fund.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, deferred inflows of resources, and liabilities associated with the operation of the Cooperative are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the Cooperative's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Cooperative's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Cooperative considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

Budgets:

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the, expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized in the governmental funds.

Revenues- Exchange and Non-Exchange Transactions:

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the Cooperative receives value without directly providing value in return. Non-exchange transactions include grants, entitlements, and donations.

Under the accrual basis of accounting, revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the Cooperative.

Major revenue sources susceptible to accrual include: intergovernmental revenues and investment income.

Expenses and Expenditures:

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the Cooperative's fiscal year. The Cooperative has established a capitalization threshold of $5,000. Donated fixed assets are recorded at their acquisition values at the date received. The Cooperative does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The Cooperative's land costs are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The Cooperative has established the following useful lives:

Buildings and improvements	50 years
Equipment	10 years
Vehicles	7-10 years

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities and long-term obligations are reported in the Cooperative's government wide financial statements. The Cooperative's governmental fund financials report only those obligations that will be paid from current financial resources.

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 Employee Retirement System (NDPERS) and Teachers' Fund for Retirement (TFFR) and additions to/deductions from NDPERS and TFFR's fiduciary net position have been determined on the same basis as they are reported by NDPERS and TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 Employee 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The Cooperative has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit (OPEB) plan*, which represents actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan, as well as contributions to the plan made after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Cooperative also has two items reported on the statement of net position *cost sharing defined benefit pension plan* and *cost sharing defined benefit (OPEB) plan*, which represents actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan.

Net Position:

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

<u>Net Position Flow Assumption</u> – Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Classifications:

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

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

Restricted fund balances will exist when constraints are placed of those resources that are either externally imposed or imposed by law.

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by the school board.

Assigned fund balances will be amounts that are constrained by the cooperative's intent to be used for specific purposes, but are neither restricted, nor committed.

Unassigned fund balances will represent those funds that have not been assigned, committed, restricted, or considered nonspendable. The general fund will be the only fund that will report an unassigned fund balance except for a deficit fund balance in other funds.

When both restricted and unrestricted resources are available for use, it is the Cooperative's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the Cooperative's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Significant Group Concentrations of Credit Risk:

As of June 30, 2022 and 2021, the Cooperative's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH

In accordance with North Dakota laws, the Cooperative maintains deposits at a depository authorized by the Governing Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the Cooperative treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2022 and 2021, the carrying amount of the Cooperative's held deposits was $37,117 and $(33,966), respectively, and the bank balance was $258,223 and $165,094, respectively. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the Cooperative's Agent in the Cooperative's name in amounts sufficient to meet North Dakota legal requirements.

Custodial Credit Risk – Investments

The District may also invest idle funds as authorized by North Dakota laws, as follows:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.

2. Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

3. Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.

4. Obligations of the state.

NOTE 4 ACCOUNTS RECEIVABLE

The Cooperative's accounts receivable as of June 30, 2022 and 2021 are as follows:

	2022	2021
State of North Dakota	$ 29,062	$ 119,792
Member Districts	92,691	68,227
	$ 121,753	$ 188,019

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets during the years ended June 30, 2022 and 2021:

	Balance July 01, 2021	Additions	Disposals	Balance June 30, 2022
Governmental Activities				
Vehicles	$ 34,791	$ -	$ -	$ 34,791
Total	34,791	-	-	34,791
Less Accumulated Depreciation				
Vehicles	9,940	4,970	-	14,910
Total	9,940	4,970	-	14,910
Net Capital Assets for Governmental Activities	$ 24,851	$ (4,970)	$ -	$ 19,881

	Balance July 01, 2020	Additions	Disposals	Balance June 30, 2021
Governmental Activities				
Vehicles	$ 34,791	$ -	$ -	$ 34,791
Total	34,791	-	-	34,791
Less Accumulated Depreciation				
Vehicles	4,970	4,970	-	9,940
Total	4,970	4,970	-	9,940
Net Capital Assets for Governmental Activities	$ 29,821	$ (4,970)	$ -	$ 24,851

In the governmental activities section of the statement of activities, depreciation expense was charged to the following governmental functions:

	2022	2021
Governmental Activities		
Depreciation - Unallocated	$ 4,970	$ 4,970
Total Depreciation Expense - Governmental Activities	$ 4,970	$ 4,970

NOTE 6 DEFINED BENEIFT PENSION PLANS – STATEWIDE

Substantially all certified employees of the Cooperative are required by state law to belong to pension plans administered by Teacher’s Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2022, the Cooperative reported a liability of $180,961 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. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2021, the Employer's proportion was 0.017175% which was a decrease of 0.00000474 from its proportion measured as of June 30, 2020.

At June 30, 2021, the Cooperative reported a liability of $270,113 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the Employer's proportion was 0.017649% which was an increase of 0.00001300 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2022, the Cooperative recognized pension expense of $(12,995). At June 30, 2022, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,257	$ 7,632
Changes in actuarial assumptions	6,356	-
Difference between projected and actual investment earnings	-	53,024
Changes in proportion	23,117	20,400
Contributions paid to TFFR subsequent to the measurement date	16,607	-
Total	$ 47,337	$ 81,056

$16,607 reported as deferred outflows of resources related to pensions resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

For the year ended June 30, 2021, the Cooperative recognized pension expense of $9,928. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 56	$ 10,137
Changes in actuarial assumptions	12,157	-
Difference between projected and actual investment earnings	16,674	-
Changes in proportion	29,153	38,951
Contributions paid to TFFR subsequent to the measurement date	16,877	-
Total	$ 74,917	$ 49,088

$16,877 reported as deferred outflows of resources related to pensions resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2022 will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2023	$ (11,493)
2024	(9,927)
2025	(11,731)
2026	(18,466)
2027	2,616
Thereafter	(1,325)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2021 will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2022	$ (13,605)
2023	6,246
2024	7,846
2025	5,994
2026	(831)
Thereafter	3,302

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 expenses, including inflation
Cost-of-living adjustments	None

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

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

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2021, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55.00%	6.90%
Global Fixed Income	26.00%	0.70%
Global Real Assets	18.00%	4.80%
Cash Equivalents	1.00%	-1.00%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	6.90%
Global Fixed Income	23.00%	1.30%
Global Real Assets	18.00%	5.00%
Cash Equivalents	1.00%	0.00%

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.

The discount rate used to measure the total pension liability was 7.25% percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

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

The following presents the Cooperative's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Cooperative's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate at June 30, 2021:

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the TFFR net pension liability:	$ 271,720	$ 180,961	$ 105,595

The following presents the Cooperative's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Cooperative's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate at June 30, 2020:

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the TFFR net pension liability:	$ 359,776	$ 270,113	$ 195,598

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

North Dakota Public Employee's Retirement System

The following brief description of NDPERS is provided for general information purposes only.

Participants should refer to NDCC Chapter 54-52 for more complete information.

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2022, the Cooperative reported a liability of $76,442 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Cooperative's share of covered payroll in the pension plan relative to the covered payroll of all participating NDPERS employers. At June 30, 2021, the Employer's proportion was 0.007330% which was an increase of 0.00000790 from its proportion measured as of June 30, 2020.

At June 30, 2021, the Cooperative reported a liability of $205,655 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Cooperative's share of covered payroll in the pension plan relative to the covered payroll of all participating NDPERS employers. At June 30, 2020, the Employer's proportion was 0.006540% which was an increase of 0.00006540 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2022, the Cooperative recognized pension expense of $32,607. At June 30, 2022, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,320	$ 7,802
Changes in actuarial assumptions	84,607	110,310
Net difference between projected and actual earnings on pension plan investments	-	28,351
Changes in proportion and differences between employer contributions and proportionate share of contributions	61,414	-
District contributions paid to NDPERS subsequent to the measurement date	5,709	-
Total	$ 153,050	$ 146,463

$5,709 reported as deferred outflows of resources related to pensions resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

For the year ended June 30, 2021, the Cooperative recognized pension expense of $54,015. At June 30, 2021, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 800	$ 10,421
Changes in actuarial assumptions	110,244	18,226
Net difference between projected and actual earnings on pension plan investments	6,638	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	67,750	-
District contributions paid to NDPERS subsequent to the measurement date	5,913	-
Total	$ 191,345	$ 28,647

$5,913 reported as deferred outflows of resources related to pensions resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2022 will be recognized in pension expense as follows:

Year Ending June 30:	Pension Expense Amount
2023	$ 11,673
2024	6,866
2025	7,725
2026	(25,386)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2021 will be recognized in pension expense as follows:

Year Ending June 30:	Pension Expense Amount
2022	$ 43,901
2023	40,294
2024	36,009
2025	36,581

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 as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30.00%	6.00%
International Equity	21.00%	6.70%
Private Equity	7.00%	9.50%
Domestic Fixed Income	23.00%	0.73%
Global Real Assets	19.00%	4.77%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30.00%	6.30%
International Equity	21.00%	6.85%
Private Equity	7.00%	9.75%
Domestic Fixed Income	23.00%	1.25%
Global Real Assets	19.00%	5.01%

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 the July 1, 2021 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%.

For the purpose of the July 1, 2020 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate at June 30, 2021:

	1% Decrease in Discount Rate 6.00%	Discount Rate 7.00%	1% Increase in Discount Rate 8.00%
District's proportionate share of the NDPERS net pension liability:	$ 121,569	$ 76,442	$ 38,867

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate at June 30, 2020:

	1% Decrease in Discount Rate 3.64%	Discount Rate 4.64%	1% Increase in Discount Rate 5.64%
District's proportionate share of the NDPERS net pension liability:	$ 266,822	$ 205,655	$ 155,606

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 DEFINED BENEIFT OPEB PLAN

Defined Benefit OPEB Plan

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2022, the Cooperative reported a liability of $4,236 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Cooperative's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Employer's proportion was 0.048409% which was an increase of 0.00042083 from its proportion measured as of June 30, 2020.

At June 30, 2021, the Cooperative reported a liability of $5,321 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Cooperative's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Employer's proportion was 0.006326% which was an increase of 0.00006326 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2022, the Cooperative recognized OPEB expense of $1,518. At June 30, 2022, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 243	$ 116
Changes of assumptions	656	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,451
Changes in proportion and differences between employer contributions and proportionate share of contribution	3,586	-
District contributions subsequent to the measurement date	914	-
Total	$ 5,399	$ 1,567

$914 reported as deferred outflows of resources related to OPEB resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

For the year ended June 30, 2021, the Cooperative recognized OPEB expense of $1,571. At June 30, 2021, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 118	$ 128
Changes of assumptions	713	-
Net difference between projected and actual earnings on OPEB plan investments	183	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	3,687	-
District contributions subsequent to the measurement date	947	-
Total	$ 5,648	$ 128

$947 reported as deferred outflows of resources related to OPEB resulting from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs as of June 30, 2022 will be recognized in OPEB expense as follows:

Year Ending June 30:	OPEB Expense Amount
2023	$ 851
2024	841
2025	777
2026	383
2028	66

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs as of June 30, 2021 will be recognized in OPEB expense as follows:

Year Ending June 30:	OPEB Expense Amount
2022	$ 977
2023	1,024
2024	1,016
2025	962
2028	-

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33.00%	5.85%
Small Cap Domestic Equities	6.00%	6.75%
International Equities	26.00%	6.25%
Core-Plus Fixed Income	35.00%	0.50%

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

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33.00%	6.10%
Small Cap Domestic Equities	6.00%	7.00%
International Equities	40.00%	1.15%
Core-Plus Fixed Income	21.00%	6.45%

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021 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.

The discount rate used to measure the total OPEB liability as of June 30, 2020 was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the 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 percent, 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 in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
District's proportionate share of the net OPEB liability	$ 6,283	$ 4,236	$ 2,505

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50 percent, 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 in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
District's proportionate share of the net OPEB liability	$ 6,979	$ 5,321	$ 3,920

NOTE 8 RISK MANAGEMENT

The Special Education Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds established by the State for risk management issues:

The Special Education Cooperative participates in the State Bonding Fund. The State Bonding Fund does not currently charge any premium for this coverage.

The Special Education Cooperative participates in the North Dakota Fire and Tornado Fund (NDFT). The Special Education Cooperative pays an annual premium to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The North Dakota Insurance Department (NDID) entered into an agreement effective June 28, 2019 which allows the North Dakota Insurance Reserve Fund (NDIRF) to take over many of the administrative operations of the NDFT, including underwriting, premium collection, loss control, and claims administration.

The Special Education Cooperative participates in the North Dakota Worker's Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed for the payment of claims to employees injured in the course of employment.

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

During the mid-1980's, the Special Education Cooperative was not able to obtain general liability insurance at a cost it considered to be economically justifiable. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. All members paid an additional charge the first year they joined to help capitalize the NDIRF. In 1991, 1992, 1993, 1994, and 1995, the NDIRF returned 20% each year, for a total of 100%, of the capitalized amount with a premium reduction or cash payment to the Special Education Cooperative. The coverage by NDIRF is limited to losses of $1,000,000 per occurrence.

NOTE 9 NEW PRONOUNCEMENTS

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information* Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.

- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).

- Disclosures related to nonmonetary transactions.

- Pledges of future revenues when resources are not received by the pledging government.

- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.

- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 10 SUBSEQUENT EVENTS

Subsequent to year end, the board has approved dissolution of the Pembina Special Education Cooperative. The details of the dissolution are in the process of being determined. No other significant events occurred subsequent to the Cooperative's yearend. Subsequent events have been evaluated through February 14, 2024, which is the date these financial statements were available to be issued.

PEMBINA SPECIAL EDUCATION COOPERATIVE
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts Original and Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Local sources			
District assessments	$ 287,199	$ 287,199	$ -
Charges for services	77,247	101,223	23,976
Other revenue	1,500	1,064	(436)
State sources			
Grants-in-aid: unrestricted	36,500	24,447	(12,053)
Federal sources			
Grants-in-aid: restricted received through DPI	262,515	253,495	(9,020)
Interest	51	50	(1)
TOTAL REVENUES	665,012	667,478	2,466
EXPENDITURES			
Preschool special education	4,989	4,425	(564)
Speech impaired	350	342	(8)
Autism programs	500	107	(393)
Emotionally disturbed	200	370	170
Learning disabled	600	3,176	2,576
Tuition	82,657	87,998	5,341
Psychological services	16,504	10,062	(6,442)
Audiology services	2,300	1,562	(738)
Medical services diagnosis and evaluation	20,000	26,754	6,754
Other Health Impaired	200	337	137
Occupational therapy	5,500	6,855	1,355
COTA	48,425	45,479	(2,946)
Physical therapy	44,650	43,256	(1,394)
Support services - instructional	48,962	51,179	2,217
School board	3,950	3,067	(883)
Support services - administration	200,001	200,426	425
Support services - business	65,171	58,230	(6,941)
Operation and maintenance of plant	1,101	1,013	(88)
Vehicle operation and maintenance	4,000	3,698	(302)
Student transportation	7,200	2,651	(4,549)
Central support services	106,251	111,645	(5,394)
TOTAL EXPENDITURES	663,511	662,632	(11,667)
Net Change in Fund Balance	1,501	4,846	3,345
Fund Balances - Beginning	144,975	144,975	-
Fund Balances - Ending	$ 146,476	$ 149,821	$ 3,345

See Notes to the Required Supplementary Information

PEMBINA SPECIAL EDUCATION COOPERATIVE
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts Original and Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Local sources			
District assessments	$ 249,974	$ 249,974	$ -
Charges for services	245,921	111,680	(134,241)
Other revenue	-	3,641	3,641
State sources			
Grants-in-aid: unrestricted	27,873	39,126	11,253
Federal sources			
Grants-in-aid: restricted received through DPI	232,970	246,033	13,063
Interest	101	51	(50)
TOTAL REVENUES	756,839	650,505	(106,334)
EXPENDITURES			
Preschool special education	3,813	3,718	(95)
Speech impaired	425	304	(121)
Autism programs	300	399	99
Emotionally disturbed	300	114	(186)
Learning disabled	34,211	34,914	703
Tuition	181,322	86,271	(95,051)
Psychological services	14,250	13,357	(893)
Audiology services	5,400	1,793	(3,607)
Visually Handicapped	-	49	49
Medical services diagnosis and evaluation	6,000	22,830	16,830
Other Health Impaired	-	17	17
Occupational therapy	5,600	5,088	(512)
COTA	46,248	45,720	(528)
Physical therapy	65,000	33,133	(31,867)
Support services - instructional	16,200	36,384	20,184
School board	3,900	2,201	(1,699)
Support services - administration	205,927	206,060	133
Support services - business	63,236	62,565	(671)
Operation and maintenance of plant	850	1,688	838
Vehicle operation and maintenance	5,000	1,712	(3,288)
Student transportation	10,125	6,978	(3,147)
Central support services	88,931	104,505	(15,574)
TOTAL EXPENDITURES	757,038	669,800	(118,386)
Net Change in Fund Balance	(199)	(19,295)	(19,096)
Fund Balances - Beginning	164,270	164,270	-
Fund Balances - Ending	$ 164,071	$ 144,975	$ (19,096)

See Notes to the Required Supplementary Information

PEMBINA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF COOPERATIVE'S CONTRIBUTIONS TO THE TRRF AND NDPERS PENSION PLANS
PRESENTED LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Payroll	Contributions as a Percentage of Covered - Payroll
2022	$ 16,607	$ (16,607)	$ -	$ 130,251	12.75%
2021	16,877	(16,877)	-	132,365	12.75%
2020	16,419	(16,419)	-	128,775	12.75%
2019	14,623	(14,623)	-	114,694	12.75%
2018	15,827	(15,827)	-	124,132	12.75%
2017	14,056	(14,056)	-	110,240	12.75%
2016	13,515	(13,515)	-	106,000	12.75%
2015	12,952	(12,952)	-	101,589	12.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Payroll	Contributions as a Percentage of Covered - Payroll
2022	$ 5,709	$ (5,709)	$ -	$ 80,197	7.12%
2021	5,913	(5,913)	-	83,046	7.12%

The Cooperative implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available. The Cooperative entered NDPERS during its fiscal year ended June 30, 2021.

See Notes to the Required Supplementary Information

PEMBINA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF COOPERATIVE'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
PRESENTED LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System – OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Payroll	Contributions as a Percentage of Covered - Payroll
2022	$ 914	$ (914)	$ -	$ 80,187	1.14%
2021	947	(947)	-	83,046	1.14%

The Cooperative implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available. The Cooperative entered NDPERS during its fiscal year ended June 30, 2021.

See Notes to the Required Supplementary Information

PEMBINA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF COOPERATIVE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PRESENTED LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered - Payroll	Proportionate Share Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.017175%	$ 180,961	$ 132,365	136.71%	75.70%
2021	0.017649%	270,113	128,775	209.76%	63.40%
2020	0.016349%	225,169	128,775	174.85%	65.50%
2019	0.018260%	243,378	114,694	212.20%	65.50%
2018	0.016333%	224,332	110,240	203.49%	63.20%
2017	0.016315%	239,018	106,000	225.49%	59.20%
2016	0.016516%	216,005	101,589	212.63%	62.10%
2015	0.028949%	303,334	167,922	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered - Payroll	Proportionate Share Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.007330%	$ 76,442	$ 83,046	92.05%	78.26%
2021	0.006540%	205,655	72,109	285.20%	48.91%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability, which is June 30 of the previous fiscal year. The Cooperative implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available. The Cooperative entered NDPERS during its fiscal year ended June 30, 2021.

See Notes to the Required Supplementary Information

PEMBINA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF COOPERATIVE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
PRESENTED LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System – OPEB

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For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.007617%	$ 4,236	$ 83,046	5.10%	76.63%
2021	0.006326%	5,321	72,109	7.38%	63.38%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net OPEB liability, which is June 30 of the previous fiscal year. The Cooperative implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available. The Cooperative entered NDPERS during its fiscal year ended June 30, 2021.

See Notes to the Required Supplementary Information

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The administration prepares the Cooperative's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

- The Board reviews the budget, may make revisions, and adopts the final budget by October tenth of each year. The budget is then filed with the county auditor by October tenth of each year.

- The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amounts shown in the financial statements are the final authorized amounts.

- All appropriations lapse at the close of the Cooperative's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

NOTE 2 CHANGES OF ASSUMPTIONS

2022 TFFR Pension Plan

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

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

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

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.

- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

2021 TFFR Pension Plan

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

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

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

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

2022 NDPERS Pension Plan

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

2021 NDPERS Pension Plan

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

2022 NDPERS OPEB Plan

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

2021 NDPERS OPEB Plan

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

NOTE 3 CHANGE IN BENEFIT TERMS

2022 NDPERS Pension Plan

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (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.

2021 NDPERS Pension Plan

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.

2022 NDPERS OPEB Plan

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.

2021 NDPERS OPEB Plan

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.

BradyMartz

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

To the School Board
Pembina Special Education Cooperative
Cavalier, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Pembina Special Education Cooperative as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated February 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit for the financial statements, we considered Pembina Special Education Cooperative's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pembina Special Education Cooperative’s financial statements are free of 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.*

The Cooperative’s Responses to Findings

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

Purpose of This Report

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

February 14, 2024

2022-001 Finding – Preparation of Financial Statements

Criteria
An appropriate system of internal control requires the Cooperative to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition
The Cooperative's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the Cooperative currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The Cooperative has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause
The Cooperative elected to not allocate resources for the preparation of financial statements.

Effect
There is an increased risk of material misstatement to the Cooperative's financial statements.

Repeat Finding
This is not a repeat finding.

Recommendation
We recommend the Cooperative consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the Cooperative should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Corrective Action Plan
We concur with this recommendation.

2022-002 Finding – Segregation of Duties

Criteria
A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause
The Cooperative is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect
The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Repeat Finding
This is a repeat finding of 2020-001.

Recommendation
We recommend the Cooperative review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Corrective Action Plan
Agree. Pembina Special Education Cooperative does not have adequate resources to obtain proper internal controls to properly segregate duties. We will segregate duties to the extent possible.

2022-003 Finding

Criteria
A measure of internal control can be accomplished with the requirement of dual signatures on Cooperative checks.

Condition
In lieu of the school board president signing checks manually, the Cooperative utilizes a signature stamp. The business manager, whose signature is also required on checks, maintains this signature stamp. Certain procedures have been put in place to minimize this circumvention of the dual signature control.

Cause
The Cooperative utilizes a signature stamp with physical control maintained by the business manager.

Effect
This internal control is circumvented.

Repeat Finding
This is a repeat finding of 2020-002.

Recommendation
To mitigate the risk associated with dual signatures we recommend that the signature plate not be used and the school board appoint an alternate signatory in the event the school board president is unavailable.

Views of Responsible Officials and Corrective Action Plan
We concur with this recommendation.