EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

FINANCIAL STATEMENTS
JUNE 30, 2023

WITH INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

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FOR THE YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Center Board and Administration
East Central Center for Exceptional Children
New Rockford, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, and major fund of **East Central Center for Exceptional Children** ("the Center") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, and major fund of **East Central Center for Exceptional Children**, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 **East Central Center for Exceptional Children**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2024, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Widmer Roel PC

Fargo, North Dakota
June 12, 2024

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 560,226
Due from other government	130,978
Prepaid expenses	8,260
Capital assets, net of accumulated depreciation	
Buildings	42,941
Equipment	663
Construction in progress	14,680
Land	5,000
Total assets	762,748
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions and OPEB	1,343,444
Total assets and deferred outflows of resources	$ 2,106,192
LIABILITIES	
Accounts payable	$ 56,737
Accrued wages and benefits payable	389
Long-term liabilities	
Compensated absences payable	23,091
Net pension and OPEB liability	2,700,293
Total liabilities	2,780,510
DEFERRED INFLOWS OF RESOURCES	
Related to pensions and OPEB	941,478
NET POSITION	
Net investment in capital assets	63,284
Unrestricted	(1,679,080)
Total net position	(1,615,796)
Total liabilities, deferred inflows of resources and net position	$ 2,106,192

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Revenue (Expense) and Change in Net Position Total
GOVERNMENTAL ACTIVITIES				
Preschool instruction	$ 152,182	$ -	$ -	$ (152,182)
Intellectual disability instruction	66,025	-	-	(66,025)
Learning disabled instruction	922,463	-	-	(922,463)
Multiple handicapped instruction	469,015	-	-	(469,015)
Psychological services/testing	37,125	-	-	(37,125)
Speech pathology services	239,628	-	-	(239,628)
Occupational therapy	83,244	-	-	(83,244)
Other student support service	95,904	-	-	(95,904)
Support service instructional staff	25,897	-	-	(25,897)
School/governance board services	26,639	-	-	(26,639)
Special area admin. service	156,171	-	-	(156,171)
Support service business	120,538	-	-	(120,538)
Operation and maintenance of plant	14,615	-	-	(14,615)
Other support service	371,876	-	-	(371,876)
Total governmental activities	$ 2,781,322	$ -	$ -	(2,781,322)

GENERAL REVENUES	
Member districts	1,880,364
Federal aid - not restricted to a specific program	387,185
State aid - not restricted to a specific program	579,190
Interest and other revenue	20,990
Total general revenues	2,867,729
Change in net position	86,407
Net position - July 1	(1,702,203)
Net position - June 30	$ (1,615,796)

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

		General Fund
ASSETS		
Cash and cash equivalents	$	560,226
Due from other government		130,978
Prepaid expenses		8,260
Total assets	$	699,464
LIABILITIES		
Accounts payable	$	56,737
Accrued salaries and benefits		389
Total liabilities		57,126
FUND BALANCES		
Unassigned		642,338
Total fund balances		642,338
Total liabilities and fund balances	$	699,464

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances for governmental funds		$	642,338
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.			
Cost of capital assets	317,216		
Less accumulated depreciation	(253,932)		
			63,284
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			
Deferred outflows of resources related to pensions	1,343,444		
Deferred inflows of resources related to pensions	(941,478)		
			401,966
Certain liabilities, such as compensated absences, are not due and payable in the current period and therefor are not reported in the funds.			(23,091)
Long-term liabilities applicable to the net pension liability are not due and payable in the current period and accordingly are not reported as fund liabilities - both current and long-term are reported in the statement of net position.			
Net pension liability			(2,700,293)
Total net position of governmental activities		$	(1,615,796)

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

		General Fund
REVENUES		
Local sources	$	1,901,354
State sources		390,468
Federal sources		575,907
Total revenues		2,867,729
EXPENDITURES		
Preschool instruction		170,091
Learning disabled instruction		921,228
Multiple handicapped instruction		468,387
Psychological services/testing		37,075
Speech pathology services		238,537
Occupational therapy		83,134
Other student support service		84,640
Support service instructional staff		25,862
School/governance board services		26,603
Special area admin. service		168,979
Support service business		110,999
Operation and maintenance of plant		14,595
Other support service		373,067
Total expenditures		2,723,197
Net change in fund balances		144,532
FUND BALANCES - JULY 1		497,806
FUND BALANCES - JUNE 30	$	642,338

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds		$ 144,532
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:		
Capital outlay	14,680	
Depreciation expense	(3,651)	
		11,029
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net decrease in compensated absences		1,691
The net pension and OPEB liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to the pension and OPEB do not involve financial resources, and are not reported in the funds.		
Increase in net pension and OPEB liability	(1,375,056)	
Increase in deferred outflows of resources	547,955	
Decrease in deferred inflows of resources	756,256	
		(70,845)
Change in net position of governmental activities		$ 86,407

See Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

East Central Center for Exceptional Children (the “Center”) operates under Chapter 15.1-33 of the North Dakota Century Code. The financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Center’s accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of East Central Center for Exceptional Children. The Center has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the Center are such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization’s governing body and (1) the ability of the Center 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 Center. Based on these criteria, there are no component units to be included within the Center as a reporting entity.

Basis of Presentation

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

East Central Center for Exceptional Children reports the following major governmental fund:

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

(Continued)

Measurement Focus and Basis of Accounting

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

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

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

Cash and Cash Equivalents

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

Capital Assets

Capital assets include property, plant, and equipment. Capital assets are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of $3,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

(Continued)

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Fund Balance

Fund Balance Spending Policy

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

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

(Continued)

Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a negative unassigned fund balance.	Available for any remaining general fund expenditure.

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

Net Position

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

NOTE 2 – CASH AND CASH EQUIVALENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

At the year ended June 30, 2023, the Center's carrying amounts of deposits were $560,226 and the bank balance was $739,232. Of these balances, $250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

(Continued)

Credit Risk:

The Center may invest idle funds as authorized in North Dakota Statutes, as follows:

(a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
(b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
(c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
(d) Obligations of the state.

Concentration of Credit Risk:

The Center does not have a limit on the amount it may invest in any one issuer.

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	Beginning Balance	Additions	Dispositions	Ending Balance
Capital assets, not being depreciated				
Land	$ 5,000	$ -	$ -	$ 5,000
Construction in progress	-	14,680	-	14,680
Total capital assets, not being depreciated	5,000	14,680	-	19,680
Capital assets, being depreciated				
Buildings	125,355	-	-	125,355
Equipment and vehicles	172,181	-	-	172,181
Total capital assets, being depreciated	297,536	-	-	297,536
Less accumulated depreciation for				
Buildings	79,442	2,972	-	82,414
Equipment and vehicles	170,839	679	-	171,518
Total accumulated depreciation	250,281	3,651	-	253,932
Capital assets, net	$ 52,255	$ 11,029	$ -	$ 63,284

(Continued)

Depreciation expense for the year ended June 30, 2023 was charged to the following functions/programs:

Preschool instruction	$	228
Learning disabled instruction		1,235
Multiple handicapped instruction		628
Psychological services/testing		50
Speech pathology services		320
Occupational therapy		110
Other student support service		113
Support service instructional staff		35
School/governance board services		36
Special area admin. service		227
Support service business		149
Operation and maintenance of plant		20
Other support service	$	500
		3,651

NOTE 4 LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2023, are as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	$ 24,782	$ -	$ 1,691	$ 23,091	$ -
Net pension liability	1,307,727	1,359,615	-	2,667,342	-
Net OPEB liability	17,510	15,441	-	32,951	-
Total	$ 1,350,019	$ 1,375,056	$ 1,691	$ 2,723,384	$ -

NOTE 5 – RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. East Central Center for Exceptional Children pays an annual premium to NDIRF for its general liability, personal injury, and assets coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, automobile coverage, and other personal property during a 12-month period.

East Central Center for Exceptional Children has workers compensation with the North Dakota Workforce Safety and Insurance.

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

NOTE 6 – PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement ("TFFR")

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6.00% 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 8.00% 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.

(Continued)

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option, or level income with Social Security benefits. Members 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 8.00% 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 6.00% 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.

(Continued)

At June 30, 2023, the Center reported a liability of $1,315,756 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2022, the Center's proportion was 0.09036459 percent, which was an increase of .01196559 from its proportion measured as of July 1, 2021.

For the year ended June 30, 2023, the Center recognized pension expense of $4,463. At June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,670	$ 35,130
Changes of assumptions	26,755	-
Net difference between projected and actual earnings on pension plan investments	98,552	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	142,647	339,434
District contributions subsequent to the measurement date	78,764	-
	$ 352,388	$ 374,564

$78,764 reported as deferred outflows of resources related to pensions resulting from the Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year ended June 30:	
2022	$ (38,718)
2023	(47,193)
2024	(61,756)
2025	37,720
2026	(5,205)
Thereafter	14,212

Actuarial Assumptions

The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2022, funding actuarial valuation for TFFR.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 is summarized in the following table:

Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
Global equities	55%	6.61%
Global fixed income	26%	0.35%
Global real assets	18%	4.60%
Cash equivalents	1%	-1.05%

(Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25% percent as of June 30, 2022. 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, 2022, 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, 2022. 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, 2022.

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

The following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent as of June 30, 2022, as well as what the Center's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate as of:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of net pension liability	$ 1,807,729	$ 1,315,756	$ 907,727

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf.

General Information about the NDPERS Pension Plan

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

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

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

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

(Continued)

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 7.00% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7.00% and employer contribution rates are 8.26% of covered compensation.

(Continued)

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

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

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

At June 30, 2023, the Center reported a liability of $1,351,586 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of the covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the Center's proportion was 0.046929 percent, which was an increase of 0.000717 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Center recognized pension expense of $190,444. At June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,050	$ 25,818
Changes of assumptions	808,269	501,082
Net difference between projected and actual earnings on pension plan investments	49,468	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,249	32,566
District contributions subsequent to the measurement date	45,842	-
	$ 973,878	$ 559,466

$45,842 reported as deferred outflows of resources related to pensions resulting from the Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

(Continued)

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

Year ended June 30:		
2021	$	103,756
2022		117,573
2023		20,365
2024		126,876
2025		-
Thereafter		-

Actuarial Assumptions

The total pension liability in the July 1, 2022 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	5.10%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

(Continued)

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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

The following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
District's proportionate share of net pension liability	$ 1,784,001	$ 1,351,586	$ 996,589

Pension Plan Fiduciary Net Position

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

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB) – ND PERS

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

(Continued)

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

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

OPEB Benefits

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

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

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

(Continued)

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

At June 30, 2023, the Center reported a liability of $32,951 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Center's proportion of the net OPEB liability was based on the Center's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the Center's proportion was 0.027452 percent, which was a decrease of 0.004031 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Center recognized OPEB expense of $3,446. At June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 780	$ 283
Changes of assumptions	8,300	-
Net difference between projected and actual earnings on pension plan investments	4,437	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	729	7,165
District contributions subsequent to the measurement date	2,932	-
	$ 17,178	$ 7,448

$2,932 reported as deferred outflows of resources related to OPEB resulting from the Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year ended June 30:	
2021	$ 1,415
2022	1,234
2023	1,074
2024	3,075
2025	-
Thereafter	-

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 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	5.75%, 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
Broad US Equity	39%	5.75%
International equities	26%	6.00%
Core-plus fixed income	35%	0.22%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. 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.

(Continued)

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

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of net pension liability	$ 42,060	$ 32,951	$ 25,304

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

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

Schedule of Employer's Share of Net Pension Liability

Pension Plan	Measurement Date	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
ND TFFR	6/30/2022	0.090365%	$ 1,315,756	$ 711,090	185.03%	67.5%
ND TFFR	6/30/2021	0.078399%	$ 826,059	$ 604,224	136.71%	75.7%
ND TFFR	6/30/2020	0.092760%	$ 1,419,701	$ 676,836	209.76%	63.4%
ND TFFR	6/30/2019	0.113219%	$ 1,559,309	$ 794,262	196.32%	65.5%
ND TFFR	6/30/2018	0.117094%	$ 1,560,702	$ 796,018	196.06%	65.5%
ND TFFR	6/30/2017	0.118493%	$ 1,627,531	$ 799,793	203.49%	63.2%
ND TFFR	6/30/2016	0.118969%	$ 1,742,956	$ 772,971	225.49%	59.2%
ND TFFR	6/30/2015	0.130676%	$ 1,709,053	$ 803,793	212.62%	62.1%
ND TFFR	6/30/2014	0.128986%	$ 1,360,650	$ 753,226	180.64%	66.6%
ND PERS	6/30/2022	0.046929%	$ 1,351,586	$ 544,774	248.10%	55.0%
ND PERS	6/30/2021	0.046212%	$ 481,668	$ 514,958	93.54%	78.3%
ND PERS	6/30/2020	0.041897%	$ 1,318,089	$ 504,727	261.15%	48.9%
ND PERS	6/30/2019	0.048524%	$ 568,736	$ 488,020	116.54%	71.7%
ND PERS	6/30/2018	0.045922%	$ 774,984	$ 460,281	168.37%	62.8%
ND PERS	6/30/2017	0.044273%	$ 711,612	$ 417,753	170.34%	62.0%
ND PERS	6/30/2016	0.040767%	$ 397,314	$ 316,671	125.47%	70.5%
ND PERS	6/30/2015	0.033320%	$ 226,570	$ 212,388	106.68%	77.2%
ND PERS	6/30/2014	0.025213%	$ 160,032	$ 212,385	75.35%	77.7%

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

Schedule of Employer's Share of Net OPEB Liability

Pension Plan	Measurement Date	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
OPEB	6/29/2022	0.027452%	$ 32,951	$ 283,413	11.63%	56.3%
OPEB	6/30/2021	0.031483%	$ 17,510	$ 343,250	5.10%	76.6%
OPEB	6/30/2020	0.037680%	$ 31,696	$ 429,537	7.38%	63.4%
OPEB	6/30/2019	0.045232%	$ 36,330	$ 504,727	7.20%	71.7%
OPEB	6/30/2018	0.043114%	$ 33,955	$ 471,766	7.20%	61.9%
OPEB	6/30/2017	0.041777%	$ 33,046	$ 451,962	7.31%	59.8%

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

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS*

Schedule of Employer's Contributions

Pension Plan	Measurement Date	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
ND TFFR	6/30/2022	$ 90,664	$ (90,664)	$ -	$ 711,090	12.75%
ND TFFR	6/30/2021	$ 77,038	$ (77,038)	$ -	$ 604,224	12.75%
ND TFFR	6/30/2020	$ 86,297	$ (86,297)	$ -	$ 676,836	12.75%
ND TFFR	6/30/2019	$ 101,268	$ (101,268)	$ -	$ 794,262	12.75%
ND TFFR	6/30/2018	$ 98,467	$ (98,467)	$ -	$ 796,018	12.37%
ND TFFR	6/30/2017	$ 93,016	$ (93,016)	$ -	$ 799,793	11.63%
ND TFFR	6/30/2016	$ 88,582	$ (88,582)	$ -	$ 772,971	11.46%
ND TFFR	6/30/2015	$ 90,989	$ (90,989)	$ -	$ 803,793	11.32%
ND PERS	6/30/2022	$ 41,030	$ (42,981)	$ (1,951)	$ 544,774	7.89%
ND PERS	6/30/2021	$ 36,871	$ (36,871)	$ -	$ 514,958	7.16%
ND PERS	6/30/2020	$ 35,937	$ (35,937)	$ -	$ 504,727	7.12%
ND PERS	6/30/2019	$ 34,747	$ (34,747)	$ -	$ 488,020	7.12%
ND PERS	6/30/2018	$ 32,772	$ (32,772)	$ -	$ 460,281	7.12%
ND PERS	6/30/2017	$ 29,744	$ (29,744)	$ -	$ 417,753	7.12%
ND PERS	6/30/2016	$ 22,547	$ (22,547)	$ -	$ 316,671	7.12%
ND PERS	6/30/2015	$ 15,122	$ (15,122)	$ -	$ 212,388	7.12%

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

Pension Plan	Measurement Date	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
OPEB	6/30/2022	$ 3,450	$ (3,634)	$ (184)	$ 283,413	1.28%
OPEB	6/30/2021	$ 4,128	$ (4,023)	$ 105	$ 343,250	1.17%
OPEB	6/30/2020	$ 5,046	$ (5,406)	$ (360)	$ 429,537	1.26%
OPEB	6/30/2019	$ 5,870	$ (5,305)	$ 565	$ 504,727	1.05%
OPEB	6/30/2018	$ 5,533	$ (5,437)	$ 96	$ 471,766	1.15%
OPEB	6/30/2017	$ 5,254	$ (4,601)	$ 653	$ 451,962	1.02%

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

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
REVENUES				
Local sources	$ 1,938,506	$ 1,938,506	$ 1,901,354	$ (37,152)
State sources	564,101	440,092	390,468	(49,624)
Federal sources	387,185	387,185	575,907	188,722
Revenue from other sources	14,240	14,240	-	(14,240)
Total revenues	2,904,032	2,780,023	2,867,729	87,706
EXPENDITURES				
Preschool instruction	60,708	60,708	170,091	109,383
Learning disabled instruction	1,150,707	1,033,653	921,228	(112,425)
Multiple handicapped instruction	440,000	440,000	468,387	28,387
Psychological services/testing	40,600	40,600	37,075	(3,525)
Speech pathology services	254,050	254,050	238,537	(15,513)
Occupational therapy	84,350	84,350	83,134	(1,216)
Physical therapy	300	300	-	(300)
Other student support service	141,266	141,266	84,640	(56,626)
Support service instructional staff	32,107	32,107	25,862	(6,245)
School/governance board services	29,950	29,950	26,603	(3,347)
Special area admin. service	172,298	172,298	168,979	(3,319)
Support service business	76,340	76,340	110,999	34,659
Operation and maintenance of plant	14,277	14,277	14,595	(61,745)
Other support service	373,067	373,067	373,067	-
Total expenditures	2,870,020	2,752,966	2,723,197	(91,832)
Net change in fund balance	34,012	27,057	144,532	179,538
FUND BALANCE, JULY 1	497,806	497,806	497,806	-
FUND BALANCE, JUNE 30	$ 531,818	$ 524,863	$ 642,338	$ 179,538

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

NOTE 2 – PENSION PLAN – CHANGES OF ASSUMPTIONS

North Dakota Teacher's Fund for Retirement Changes of Assumptions

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

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

(Continued)

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

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

North Dakota Public Employees Retirement System (Main System) ("NDPERS") – Changes of benefit terms

The interest rate earned on member contributions decreased from 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.

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

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.

NOTE 3 – OTHER POST EMPLOYMENT BENEFITS – CHANGES OF ASSUMPTIONS

Other Post-Employment Benefits (OPEB) – Changes of benefit terms

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

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

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.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of **East Central Center for Exceptional Children** as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise **East Central Center for Exceptional Children's** basic financial statements, and have issued our report thereon dated June 12, 2024.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 **East Central Center for Exceptional Children's** financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-003, and 2023-004 to be significant deficiencies.

Report on Compliance and Other Matters

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

East Central Center for Exceptional Children's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the **East Central Center for Exceptional Children's** response to the findings identified in our audit and described in the accompanying schedule of findings and responses. **East Central Center for Exceptional Children's** response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Widmer Roel PC

Fargo, North Dakota
June 12, 2024

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		
Governmental activities	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	______ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	X yes	______ no
Noncompliance material to financial statements noted?	______ yes	X no

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING 2023-001 (MATERIAL WEAKNESS) - SEGREGATION OF DUTIES

Condition

The Center has a lack of segregation of duties in certain areas due to a limited number of staff. Specifically, the business manager role is responsible for numerous functions related to financial reporting.

Criteria

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

Cause

The Center has limited staff to be able to adequately segregate duties.

Effect

Inadequate segregation of duties could adversely affect the Center's ability to detect misstatements in the financial statements, whether the cause of the misstatement was due to errors or fraud.

Recommendation

We recommend management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. For example, we recommend the board continue and or adopt the following:

- Review and approve all significant contracts and disbursements.
- Careful review of budgeted items compared to actual results, investigating unusual discrepancies.
- Dual signatures on all significant checks
- Periodic review of savings/CD statements and review of completed bank reconciliations.
- Periodic review of school district policies, including consideration of whether district policies are sufficient to mitigate risk of financial statement errors or fraud, or noncompliance with laws, regulations, and contracts.

Views of Responsible Officials

The Center will continue to develop controls through cross training of duties and responsibilities.

EAST CENTRAL CENTER FOR EXCEPTIONAL CHILDREN

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2023

FINDING 2023-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Condition

Widmer Roel assists the Center with preparation of its financial statements and related disclosures in accordance with generally accepted accounting principles (GAAP).

Criteria

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) elements of internal control, an organization's internal control should include the capability of preparing financial statements in accordance with U.S. GAAP.

Cause

The Center has determined it is more cost-effective to allocate its limited resources to areas other than preparation of financial statements and instead engage its third-party auditor to assist in this process.

Effect

Without the assistance of the auditors, the financial statements could be materially misstated or omit material financial statement disclosures.

Recommendation

We recommend management carefully review the financial statements and note disclosures and be able to understand the purpose and source of all material financial statement amounts and disclosures. We recommend management continue to prepare all requested supporting schedules, understanding their importance to the financial statements.

Views of Responsible Officials

The Center agrees with this finding and does not have the resources to prepare financial statements at this time.

FINDING 2023-003 (SIGNIFICANT DEFICIENCY) – COMPENSATED ABSENCES POLICY

Condition

The Center is currently paying out personal leave if paraprofessionals resign their position, but that policy is not documented as a formal policy.

Criteria

The payment or nonpayment of accumulated personal leave is a significant policy which results in a payroll-related liability to the Center and, therefore, should be in writing.

Cause

The Center does not have a formal policy for paying out unused personal leave balances.

Effect

In the absence of a written policy, personal leave may be improperly paid out or not paid out.

Recommendation

We recommend that the school board approves a formal policy regarding payment of personal leave and the employee handbooks are updated to reflect that policy for paraprofessionals.

Views of Responsible Officials

The Center will review, and update policies as needed.

FINDING 2023-004 (SIGNIFICANT DEFICIENCY) – CAPITAL ASSETS

Condition

Widmer Roel noted an invoice for materials of new swing set materials that were not included in payables as of year-end. Payment was not made as of year-end, but materials were in possession of the materials.

Criteria

Generally Accepted Accounting Principles require all capital assets and related payables to be recorded in the government-wide financial statements in the year received.

Cause

The equipment was delivered, but it was not yet installed. This made it difficult to interpret how to categorize this amount.

Effect

The financial statements would be misstated without adjustment. Payables and equipment would be understated.

Recommendation

We recommend management carefully review invoices and determine whether items on the invoices have been received.

Views of Responsible Officials

The Center will evaluate invoices in regard to the year-end cutoff date.