



Financial Statements
September 30, 2020

North Dakota State Fair Association

North Dakota State Fair Association

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September 30, 2020

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Independent Auditor's Report

The Board of Directors
North Dakota State Fair Association
Minot, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the North Dakota State Fair Association, a component unit of the State of North Dakota, and of its discretely presented component unit, North Dakota State Fair Foundation, as of and for the year then ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Dakota State Fair Association, and of its discretely presented component unit as of September 30, 2020, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 14 to the financial statements, certain errors resulting in misstatements of amounts previously reported for accounts receivable and revenues for the discretely presented component unit were discovered during the current year. Accordingly, an adjustment has been made to beginning net position as of October 1, 2019 to correct the error. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of North Dakota State Fair Association, an enterprise fund of the State of North Dakota, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities of the State of North Dakota that is attributable to the transactions of North Dakota State Fair Association. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of September 30, 2020, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of the North Dakota State Fair Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota State Fair Association'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 North Dakota State Fair Association's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
October 29, 2021

This section of the Association's annual financial report presents our analysis of the financial performance during the fiscal year that ended September 30, 2020. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Association's net position decreased by \$2,395,416 or -8.43% in fiscal year 2020.
- During fiscal year, the Association's operating revenues decreased by \$5,486,405 or -82.45%, while operating expenses decreased by \$4,542,275 or -52.04%. This is due to having no fair in 2020.
- Fair revenues decreased to \$926,527 which is 85.44% lower than the prior year.
- Property and equipment additions totaled \$199,332.
- Depreciation expense totaled \$1,463,092.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Required Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Association report information about the Association using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Association's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to Association creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Association and assessing the liquidity and financial flexibility of the Association. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Change in Net Position. This statement measures the success of the Association's operations over the past year and can be used to determine whether the Association has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Association's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Association

One of the most important questions asked about the Association's finances is "Is the Association as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Association's activities in a way that will help answer this question. These two statements report the net position of the Association and changes in them. You can think of the Association's net position as one way to measure financial health or financial position. Over time, increases or decreases in the Association's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population declines, and competitive forms of entertainment.

Net Position

To begin our analysis, a summary of the Association's Statement of Net Position is presented in the following:

Condensed Statement of Net Position (In Thousands of Dollars)

	2020	2019	Dollar Change	Total Percent Change
Assets				
Current and other assets	\$ 6,205	\$ 7,059	\$ (854)	-12.10%
Capital assets	23,061	24,343	(1,282)	-5.27%
Total assets	<u>29,266</u>	<u>31,402</u>	<u>(2,136)</u>	-6.80%
Deferred outflows of resources	<u>1,576</u>	<u>686</u>	<u>890</u>	129.74%
Total assets and deferred outflows of resources	<u>30,842</u>	<u>32,088</u>	<u>(1,246)</u>	-3.88%
Liabilities				
Current liabilities	226	241	(15)	-6.17%
Long-term debt outstanding	1,297	1,440	(143)	-9.95%
Other liabilities	2,694	1,338	1,356	101.33%
Total liabilities	<u>4,217</u>	<u>3,019</u>	<u>1,196</u>	39.63%
Deferred inflow of resources	<u>621</u>	<u>668</u>	<u>(47)</u>	-7.05%
Net Position				
Net invested in capital assets	21,634	22,779	(1,145)	-5.02%
Unrestricted	4,371	5,622	(1,251)	-22.25%
Total net position	<u>\$ 26,005</u>	<u>\$ 28,401</u>	<u>\$ (2,396)</u>	-8.43%

The condensed Statement of Net Position shows the categories of items that are owned and owed by the Association. Total assets decreased by \$2,136 thousand from 2019 to 2020 mainly due to the depreciation of capital assets. Total deferred outflows of resources increased by \$890 thousand from 2019 to 2020 due to changes in assumptions such as inflation, discount, and investment rates of return within the pension and OPEB plans. Total liabilities increased \$1,196 thousand from 2019 to 2020 mainly due to the change in pension liability in the current year.

North Dakota State Fair Association
Management's Discussion and Analysis
For the Year Ended September 30, 2020

Condensed Statements of Revenues, Expenses and Changes in Net Position
(In Thousands of Dollars)

	2020	2019	Dollar Change	Total Percent Change
Operating Revenues				
Fair proceeds and other revenue	\$ 927	\$ 6,367	\$ (5,440)	-85.44%
Arena revenue	241	268	(27)	-10.01%
Other revenue	-	20	(20)	-100.00%
	<u>1,168</u>	<u>6,655</u>	<u>(5,487)</u>	<u>-82.45%</u>
Nonoperating Revenues				
Local grants	635	752	(117)	-15.56%
Interest and investment income	26	20	6	29.21%
(Loss)/Gain on sale of fixed assets	15	-	15	0.00%
	<u>676</u>	<u>772</u>	<u>(96)</u>	<u>-12.45%</u>
Total Revenues	<u>1,844</u>	<u>7,427</u>	<u>(5,583)</u>	<u>-75.17%</u>
Operating Expenses				
General expenses	732	4,529	(3,797)	-83.84%
Depreciation expense	1,463	1,670	(207)	-12.38%
Salaries, wages and vacation pay	1,991	2,259	(268)	-11.85%
Premiums, trophies and awards	-	271	(271)	-100.00%
	<u>4,186</u>	<u>8,729</u>	<u>(4,543)</u>	<u>-52.04%</u>
Non Operating Expenses				
Interest expense	53	54	(1)	-1.12%
Bond fees	13	18	(5)	-27.54%
Amortization	(12)	(12)	-	0.00%
	<u>54</u>	<u>59</u>	<u>(5)</u>	<u>-8.91%</u>
Total Expenses	<u>4,240</u>	<u>8,788</u>	<u>(4,548)</u>	<u>-51.75%</u>
Transfers -				
State Appropriations	<u>-</u>	<u>271</u>	<u>(271)</u>	<u>-100.00%</u>
Change in Net Position	<u>(2,396)</u>	<u>(1,089)</u>	<u>(1,307)</u>	<u>120.00%</u>
Net Position, Beginning of Year	<u>28,401</u>	<u>29,490</u>	<u>(1,089)</u>	<u>-3.69%</u>
Net Position, End of Year	<u>\$ 26,005</u>	<u>\$ 28,401</u>	<u>\$ (2,396)</u>	<u>-8.44%</u>

The condensed statements of revenues, expenses and changes in net position shows both the revenue streams and expenditures associated with operating the Association. Total revenues were down \$5,583 thousand from 2019 to 2020 and total expenses were down \$4,548 thousand from 2019 to 2020. State appropriations were down \$271 thousand from 2019 to 2020, due to having no fair. This resulted in a net impact of \$1,307 thousand decrease from 2019 to 2020.

Capital Assets

The Association had invested more than \$52 million in infrastructure including land, buildings, improvements and equipment. Approximately 96 percent of that total is related to land and structures. Maintenance and upkeep of those structures and improvements is a continual ongoing process for the Association. Annual yearly costs for building and grounds upkeep exceeded \$382 thousand, excluding payroll costs for Association employees engaged in repair and upkeep procedures.

Current year additions to the capital asset category totaled approximately \$199 thousand. See footnote 5 for additional details.

Long-Term Bond Debt

The Association had \$1,320,000 in long term debt down from \$1,445,000 in fiscal year 2019. See footnote 6 for additional details.

Net Pension Liability

As of October 1, 2014, the Association adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. As a result of implementing this standard, the Association reported a net pension liability of \$2,606,290 at year end in 2020 and \$1,227,840 in 2019. See additional information in Note 9.

Net Other Post-Employment Benefits Liability

As of October 1, 2017, the Association adopted GASB Statement No. 74 and 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of these standards requires governments to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. As a result of implementing this standard, the Association reported a net OPEB liability of \$67,435 at year end in 2020 and \$78,434 in 2019. See additional information in Note 10.

Economic Factors and Next Year's Operations

The North Dakota State Fair Association is in the entertainment business, and as such is dependent upon many factors affecting the entertainment spending decisions of its customers. Factors such as condition of the agriculture economy, oil industry, Minot Air Force Base, Canadian exchange rates, weather, and competing entertainment providers such as casinos can all have significant impact on turnout for the annual State Fair. During the fiscal year ending September 30, 2020, the COVID-19 pandemic restrictions shut down all entertainment, building rentals, and Canadian travel for over 6 months.

Subsequent to year-end, North Dakota State Fair Association was awarded a Shuttered Venue Operators Grant issued through the U.S. Small Business Administration in the amount of \$2,348,741 to provide relief for the negative impacts the COVID-19 pandemic had on North Dakota State Fair Association.

Contacting the Association's Financial Manager

This financial report is designed to provide our state citizens, customers, and creditors with a general overview of the Association's finances and to demonstrate the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North Dakota State Fair Association office at P.O. Box 1796, Minot, ND 58702-1796.

North Dakota State Fair Association
Statement of Net Position
September 30, 2020

	Primary Government <u>Business-Type Activities (State Fair)</u>	Component Unit <u>State Fair Foundation</u>
Current Assets		
Cash and cash equivalents	\$ 4,038,851	\$ 282,998
Investments	2,000,000	-
Accounts receivable, net of allowance for uncollectible accounts of \$3,000	111,531	50,000
Prepaid items	54,877	-
Total current assets	<u>6,205,259</u>	<u>332,998</u>
Noncurrent Assets		
Capital assets		
Land	741,502	1,115,389
Other capital assets, net of depreciation	22,319,911	-
Total noncurrent assets	<u>23,061,413</u>	<u>1,115,389</u>
Other Assets		
Restricted cash	-	12,073
Notes receivable, net of allowance for uncollectible accounts of \$1,075,000	-	35,000
Total other assets	<u>-</u>	<u>47,073</u>
Deferred Outflows of Resources	<u>1,576,266</u>	<u>-</u>
Current Liabilities		
Trade accounts payable	25,102	-
Current portion of accrued employee leave	70,000	-
Current portion of bonds payable	130,000	-
Current portion of note payable	-	4,800
Deferred revenue	-	49,993
Total current liabilities	<u>225,102</u>	<u>54,793</u>
Noncurrent Liabilities		
Accrued employee leave, net of current portion	20,693	-
Bonds payable, net of unamortized premium of \$107,274	1,297,274	-
Note payable	-	64,950
Net pension liability	2,606,290	-
Net other post-employment benefits liability	67,435	-
Total noncurrent liabilities	<u>3,991,692</u>	<u>64,950</u>
Deferred Inflow of Resources	<u>620,624</u>	<u>-</u>
Net Position		
Net investment in capital assets	21,634,139	-
Permanently Restricted Endowment	-	2,155,492
Unrestricted	4,371,381	(779,775)
Total net position	<u>\$ 26,005,520</u>	<u>\$ 1,375,717</u>

North Dakota State Fair Association
Statement of Activities
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	
		Charges For Services	Operating Grants and Contributions	Primary Government	Component Unit
				Business-Type Activities (State Fair)	State Fair Foundation
Primary Government:					
Business-Type Activities:					
State Fair Association	\$ 4,251,790	\$ 1,168,784	\$ 634,710	\$ (2,448,296)	\$ -
Component Unit:					
State Fair Foundation	59,126	33,088	6,444	-	(19,594)
General Revenues:					
Investment earnings				25,889	25,949
Amortization of bond premium				12,260	-
Gain on trade of fixed asset				14,731	-
Total general revenues				52,880	25,949
Change in net position				(2,395,416)	6,355
Net position, Beginning of Year, As Restated				28,400,936	1,369,362
Net position, End of Year				\$ 26,005,520	\$ 1,375,717

North Dakota State Fair Association
Statement of Net Position – Enterprise Fund
September 30, 2020

Current Assets	
Cash and cash equivalents	\$ 4,038,851
Investments	2,000,000
Accounts receivable, net of allowance for uncollectible accounts of \$3,000	111,531
Prepaid items	54,877
Total current assets	<u>6,205,259</u>
Noncurrent Assets	
Capital assets	
Land	741,502
Other capital assets, net of depreciation	22,319,911
Total noncurrent assets	<u>23,061,413</u>
Total assets	<u>29,266,672</u>
Deferred outflows of resources	<u>1,576,266</u>
Current Liabilities	
Trade accounts payable	25,102
Current portion of accrued employee leave	70,000
Current portion of bonds payable	130,000
Total current liabilities	<u>225,102</u>
Noncurrent Liabilities	
Accrued employee leave, net of current portion	20,693
Bonds payable, net of unamortized premium of \$107,274	1,297,274
Net pension liability	2,606,290
Net other post-employment benefits liability	67,435
Total noncurrent liabilities	<u>3,991,692</u>
Total liabilities	<u>4,216,794</u>
Deferred Inflow of Resources	<u>620,624</u>
Net Position	
Net investment in capital assets	21,634,139
Unrestricted	4,371,381
Total net position	<u>\$ 26,005,520</u>

North Dakota State Fair Association
Statement of Net Position – Enterprise Fund
September 30, 2020

Liabilities, Deferred Inflow of Resources and Net Position

Current Liabilities

Trade accounts payable	\$ 25,102
Current portion of accrued employee leave	70,000
Current portion of bonds payable	<u>130,000</u>
Total current liabilities	<u>225,102</u>

Noncurrent Liabilities

Accrued employee leave, net of current portion	20,693
Bonds payable, net of unamortized premium of \$107,274	1,297,274
Net pension liability	2,606,290
Net other post-employment benefits liability	<u>67,435</u>
Total noncurrent liabilities	<u>3,991,692</u>

Total liabilities	<u>4,216,794</u>
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Deferred Inflow of Resources	<u>620,624</u>
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Net Position

Net investment in capital assets	21,634,139
Unrestricted	<u>4,371,381</u>
Total net position	<u>26,005,520</u>

North Dakota State Fair Association
Statement of Revenues, Expenses and Change in Net Position
Year Ended September 30, 2020

Operating Revenues	
Fair proceeds and other revenue	\$ 926,527
Arena revenue	240,753
Other revenue	1,504
	1,168,784
Operating Expenses	
General expenses	732,232
Depreciation expense	1,463,092
Salaries, wages and vacation pay	1,990,811
Premiums, trophies and awards	32
	4,186,167
Operating Loss	(3,017,383)
Nonoperating Revenues (Expenses)	
Local grants	634,710
Interest and investment income	25,889
Amortization of bond premium	12,260
Gain on disposal of fixed assets	14,731
Interest expense	(52,700)
Bond fees	(12,923)
	621,967
Change in Net Position	(2,395,416)
Net Position, Beginning of Year	28,400,936
Net Position, End of Year	\$ 26,005,520

North Dakota State Fair Association
Statement of Cash Flows
Year Ended September 30, 2020

Operating Activities	
Cash received from customers	\$ 1,435,939
Cash payments for goods and services	(754,978)
Cash payments to employees	<u>(1,571,813)</u>
Net Cash used for Operating Activities	<u>(890,852)</u>
Non-Capital Financing Activities	
Local grants received	<u>634,710</u>
Capital and Related Financing Activities	
Payments for capital acquisitions	(181,413)
Bond fees	(12,923)
Principal payments on bonds	(125,000)
Interest paid	<u>(52,700)</u>
Net Cash used for Capital and Related Financing Activities	<u>(372,036)</u>
Investing Activities	
Receipts of interest and dividends	25,889
Purchase of Certificates of Deposit	(1,000,000)
Gain on trade of fixed asset	<u>14,731</u>
Net Cash from Investing Activities	<u>(959,380)</u>
Net Change in Cash and Cash Equivalents	(1,587,558)
Cash and Cash Equivalents, Beginning of Year	<u>5,626,409</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,038,851</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating loss	\$ (3,017,383)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation	1,463,092
Adjustment to pension expense	429,839
Changes in operating assets and liabilities	
Customer receivables	267,155
Prepaid expenses	(853)
Trade accounts payable	(21,861)
Accrued leave	<u>(10,841)</u>
Net Cash used for Operating Activities	<u><u>\$ (890,852)</u></u>
Supplemental Disclosure of Noncash Capital Financing Activities	
Value received for trade of capital assets	<u><u>\$ 17,919</u></u>

North Dakota State Fair Association
Statement of Appropriations
Year Ended September 30, 2020

	2019-2021 Appropriation	7/1/2019- 9/30/2019 Expenditures	10/1/2019- 9/30/2020 Expenditures	Unexpended Appropriations at 9/30/2020
Premiums	\$ 542,833	\$ 271,417	\$ -	\$ 271,416

The following schedule shows the appropriated and non-appropriated portion of premiums, operating expenses, interest expense and bond costs for the year-ended September 30, 2020. Non-appropriated expenditures are made in accordance with NDCC 4-02.1-15.

	FY 2020 Appropriated	FY 2020 Non-appropriated	Fiscal Year 2020 Total
Premiums	\$ -	\$ 32	\$ 32
Operating expenses	-	4,186,135	4,186,135
Bond administration fees	-	12,923	12,923
Interest expenses	-	52,700	52,700
	\$ -	\$ 4,251,790	\$ 4,251,790

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

The North Dakota State Fair Association (Association) is an Enterprise Fund of the State of North Dakota. The purpose of the State Fair Association is to conduct an annual exhibition of the state's resources and products in order to promote the state.

The accompanying financial statements of the North Dakota State Fair Association follow the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities.

The accounting policies of the North Dakota State Fair Association conform to generally accepted accounting principles as applicable to local governmental units. The following is a summary of the more significant policies:

Reporting Entity

For financial reporting purposes, the North Dakota State Fair Association has included all funds, and has considered all potential component units for which the North Dakota State Fair Association is financially accountable, and other organizations for which the nature and significance of their relationship with the North Dakota State Fair Association are such that exclusion would cause the North Dakota State Fair Association's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board has set forth criteria to be considered in evaluating the nature and significance of the relationship such that exclusion would cause the financial statements to be misleading or incomplete. This criteria includes (1) being a legally separate, tax-exempt organization, (2) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, (3) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (4) the economic resources received or held by an individual organization that the primary government is entitled to, or has the ability to otherwise access, are significant to the primary government.

Based upon the criteria of the Governmental Accounting Standards Board, the North Dakota State Fair Foundation is a component unit of the Association that should be presented discretely. It is considered part of the Association's reporting entity because of the significance of its relationship with the Association. The North Dakota State Fair Foundation's mission is to develop lifelong relationships with donors to secure philanthropic gifts that will enhance and support the work of the North Dakota State Fair.

Component Unit

In conformity with GAAP, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit.

Discretely Presented Component Unit - The component unit column in the government-wide financial statements includes the financial data of the Association's one component unit, North Dakota State Fair Foundation. This unit is reported in a separate column to emphasize that it is legally separate from the Association.

North Dakota State Fair Foundation (Foundation), a nonprofit organization, was established to develop lifelong relationships with donors to secure philanthropic gifts that will enhance and support the work of the North Dakota State Fair Association. The Foundation's major sources of revenue include endowments and cash contributions. The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

Revenue is recognized on the accrual basis for financial reporting.

Infrastructure, Buildings, and Equipment

Infrastructure, buildings and equipment are stated at cost except for donated assets which are reported at acquisition value on the date received. Expenditures exceeding \$5,000 for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance, repairs and improvements less than \$5,000 are currently charged to expense.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives used in the computation of depreciation are as follows:

Infrastructure	5-25 years
Buildings	20-40 years
Equipment	3-15 years

Cash and Cash Equivalents

For purposes of reporting cash flows, the Association considers all Treasury bills, commercial paper, certificates of deposit and money market funds which have an original maturity of three months or less to be cash equivalents.

Investments

Investments consist entirely of certificates of deposit and are reported at amortized cost.

Accounts Receivable

Accounts receivable are carried at original invoice amount less a reserve estimate made for doubtful accounts. Management's estimate of the allowance for doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts. Accounts receivable are due within 30 days.

Accounts Receivable - Foundation

The Foundation has a land lease in which they are entitled to \$25,000 per year in lease payments.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

Operating Revenues

For purposes of differentiating operating revenues from non-operating revenues, the Association considers support received from the City of Minot (hotel tax) and Ward County to be non-operating revenues. The stated purpose of the support from the mentioned entities is to help offset the operating expenses related to the fair and arena activities. Expenses related to the maintenance and operations of these facilities are classified as operating expenses.

Restricted Resources

It is the Association's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Unrestricted Net Assets – Foundation

This includes unrestricted resources, which represents the portion of expendable funds that are available for the support of the Foundation's operations.

Permanently Restricted Net Assets – Foundation

Permanently restricted net assets represent net assets resulting from contributions, whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organizations.

Notes Receivable – Foundation

See Note 3 to the financial statements for details pertaining to notes receivable. The Foundation provides an allowance for doubtful collections, which is based upon a review of outstanding receivables. As of September 30, 2020, \$35,000 was deemed to be collectible. An allowance for doubtful collections of \$1,075,000 was recorded as of September 30, 2020.

Restricted Cash – Foundation

This consists of cash collected as part of permanently restricted endowments that has not been invested in land or notes receivable.

Income Taxes - Foundation

North Dakota State Fair Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In Addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the Section 509(a) of the code.

The Foundation's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support with the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

Compensated Absences

Employees accrue annual leave at a rate of eight hours per month for the first three years of continuous service. The accrual rate is increased to ten hours per month after three years, twelve hours per month after seven years, fourteen hours per month after thirteen years, and sixteen hours per month after eighteen years of service. The maximum amount of leave that may be carried forward each calendar year is 240 hours. All unpaid leave is payable upon termination.

Permanent employees also earn sick leave at a rate of eight hours per month. Sick leave is being carried over from year to year. If an employee leaves after ten continuous years of service, the employee will be paid for ten percent of any unused accumulated sick leave.

Deferred Revenue - Foundation

This consists of the NDDC Resiliency Grant that was received during the year ending September 30, 2020. The Funds for the grant are not earned until spent by the Foundation.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. While the Association expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain.

Deferred Outflows and 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 resources (expense/ expenditure) until then. The Association has two items reported on the Statement of Net Position as Deferred Outflows of Resources which represents actuarial differences within NDPERS, OPEB, and the NDPERS Pension Plan as well as amounts paid to the plan 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*, represent 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 Association has two items reported on the Statement of Net Position as Deferred Inflows of Resources which represents actuarial differences within NDPERS, OPEB, and NDPERS Pension plan.

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 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.

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.

Long-Term Liabilities

See Note 6 to the financial statements for details pertaining to long-term liabilities. The Association has bonds payable to City of Minot.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the year ended September 30, 2020 is \$106,691.

Note 2 - Cash and Investments

Custodial and Concentration of Credit Risk

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "all state funds... must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State Fair Association will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The State Fair Association does not have a formal policy that limits custodial credit risk for deposits. Deposits held with Bremer Bank are covered by depository insurance. The State Fair Association's remaining deposits are uncollateralized and held on deposit at the Bank of North Dakota and are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

Investments

The Association has investments in certificates of deposit totaling \$2,000,000 as of September 30, 2020. At year end, there were two certificates of deposit, one for \$1,000,000 bearing interest at 1.0% maturing December 2021 and one for \$1,000,000 bearing interest at 1.0% maturing November 2021.

Foundation

At September 30, 2020, the North Dakota State Fair Foundation, a discretely presented component unit of the State Fair Association, had deposits with a carrying amount of \$295,071 all of which was covered by Federal Depository Insurance.

Details pertaining to unrestricted cash for the year ended September 30, 2020 are as follows:

Bank	Type	
Dacotah Bank	Checking-Operations	\$ 282,242
Dacotah Bank	Checking-Gaming	756
		\$ 282,998

Details pertaining to restricted cash for the year ended September 30, 2020 are as follows:

Bank	Type	
Dacotah Bank	Checking-Endowment	\$ 12,073

Note 3 - Notes Receivable – Foundation

The North Dakota State Fair Foundation's endowed notes require interest only payments with full principal due on maturity. The Foundation's endowed notes receivable consists of the following:

Payee	Note Balance	Rate	Due	Collateral
Golf Minot, Inc.	\$ 500,000	2.50%	July 1, 2025	Unsecured
Golf Minot, Inc.	125,000	2.50%	August 10, 2025	Unsecured
Golf Minot, Inc.	50,000	2.50%	November 1, 2025	Unsecured
Golf Minot, Inc.	100,000	2.50%	December 31, 2025	Unsecured
Golf Minot, Inc.	100,000	2.50%	June 16, 2026	Unsecured
Golf Minot, Inc.	50,000	2.50%	October 1, 2026	Unsecured
Golf Minot, Inc.	160,000	2.50%	October 16, 2026	Unsecured
Golf Minot, Inc.	25,000	2.50%	January 31, 2027	Unsecured
Total notes receivable	1,110,000			
Allowance for uncollectible accounts	(1,075,000)			
	\$ 35,000			

Note 4 - Endowments - Foundation

The Foundation’s endowment consists of a fund established as a permanent endowment for such purposes as the Foundation determines prudent. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to be appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundations investment policies.

The Board of Directors has authorized the spending of all prior accumulated interest and dividend earnings from donor-restricted endowment funds as allowed. All earnings from donor-restricted funds are classified as temporarily restricted until they are spent.

Permanently restricted endowment net asset composition by type of fund as of September 30, 2020 is as follows:

Beginning Endowment Net Assets	\$ 2,155,492
Endowment Contributions	-
Ending Endowment Net Assets	<u>\$ 2,155,492</u>

Note 5 - Capital Assets

The components and changes in components of capital assets of the Association at September 30, 2020 are as follows:

	Balance 09/30/19	Additions/ Depreciation Expense	Deletions	Balance 09/30/20
Capital Assets Not Being Depreciated				
Land	\$ 741,502	\$ -	\$ -	\$ 741,502
Capital Assets Being Depreciated				
Infrastructure	7,871,154	153,814	-	8,024,968
Buildings	41,969,740	-	-	41,969,740
Equipment	2,150,601	45,518	(20,905)	2,175,214
	52,732,997	199,332	(20,905)	52,911,424
Less accumulated depreciation				
Infrastructure	(3,993,346)	(312,565)	-	(4,305,911)
Buildings	(22,519,056)	(1,077,448)	-	(23,596,504)
Equipment	(1,877,503)	(73,079)	2,986	(1,947,596)
	(28,389,905)	(1,463,092)	2,986	(29,850,011)
Net	\$ 24,343,092	\$ (1,263,760)	\$ (17,919)	\$ 23,061,413

Foundation

The components and changes in components of capital assets of the Foundation at September 30, 2020 is as follows:

	Balance 09/30/19	Additions/ Depreciation Expense	Deletions	Balance 09/30/20
Capital Assets Not Being Depreciated				
Land	\$ 1,115,389	\$ -	\$ -	\$ 1,115,389

Note 6 - Long – Term Debt

Changes in Bonds Payable and Accrued Employee Leave

The following is a summary of changes in bonds payable and accrued employee leave for the year ended September 30, 2020:

	<u>Balance 09/30/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 09/30/20</u>	<u>Current Portion</u>
Bonds Payable	\$ 1,445,000	\$ -	\$ (125,000)	\$ 1,320,000	\$ 130,000
Accrued Employee Leave	101,534	67,389	(78,230)	90,693	70,000
	<u>\$ 1,546,534</u>	<u>\$ 67,389</u>	<u>\$ (203,230)</u>	<u>\$ 1,410,693</u>	<u>\$ 200,000</u>

Capital Financing Program Bonds Series 2015A

Interest on the 2015A Series Bonds is payable semi-annually on June 1 and December 1 of each year. The bonds maturing on June 1, 2029 are not subject to optional redemption prior to maturity except under extraordinary circumstances. The bonds are presented on the Statement of Net Position net of unamortized premium of \$107,274 for the year ended September 30, 2020. The bonds are secured by the Association’s net revenues and by the lodging tax proceeds received from the City of Minot.

Minimum principal and interest payments required on 2015A Series Bonds are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 130,000	\$ 47,450	\$ 177,450
2022	130,000	43,550	173,550
2023	135,000	39,650	174,650
2024	140,000	35,600	175,600
2025	145,000	31,400	176,400
2026-2029	640,000	65,400	705,400
	<u>\$ 1,320,000</u>	<u>\$ 263,050</u>	<u>\$ 1,583,050</u>

Foundation

The Foundation has a note payable due in monthly installments of \$641, bearing interest at 4.22%, maturing March 15, 2022, secured by land.

	Balance 09/30/19	Additions	Retirements	Balance 09/30/20	Current Portion
Note payable for land	\$ 74,340	\$ -	\$ (4,590)	\$ 69,750	\$ 4,800

Minimum principal and interest payments required are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,800	\$ 2,891	\$ 7,691
2022	64,950	1,356	66,306
	<u>\$ 69,750</u>	<u>\$ 4,247</u>	<u>\$ 73,997</u>

Note 7 - Appropriations

The North Dakota State Fair Association receives premium appropriations from the State of North Dakota. These premium appropriations are restricted for the purpose of providing premiums to fair exhibition winners. There was no fair during the year ended September 30, 2020. As such, there were no premium appropriations expended for the year ended September 30, 2020.

Note 8 - Related Party Transactions

The North Dakota State Fair Association receives commission payments on beer and concession sales from vendors who operate on the fairgrounds. The Association has a standard agreement with a vendor, M & S Concessions, who is a related party through common governance and ownership. Commission payments totaling \$155,829 were received from M&S Concessions by the Association during the year ended September 30, 2020.

Note 9 - Pensions

The North Dakota State Fair Association participates in the North Dakota Public Employees Retirement System (NDPERS) administered by the State of North Dakota. NDPERS is an agency of the State of North Dakota financial reporting entity and is included in the State of North Dakota's Comprehensive Annual Financial Report. 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.

Defined Benefit Pension Plan

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, disability and death 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. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition 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 September 30, 2020 the Association reported a liability of \$2,606,290 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. North Dakota State Fair Association's proportion of the net pension liability was based on the Association's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Association's proportion was 0.082844% which was a decrease of 0.021914% from its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the Association recognized pension expense of \$451,772. At September 30, 2020, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Difference between expected and actual experience	\$ 10,142
Changes in assumption	1,397,136
Net difference between projected and actual earnings on pension plan investments	84,118
Changes in proportion and difference between Association contributions and proportionate share of contributions	39,987
Association contributions subsequent to the measurement date	<u>27,282</u>
	<u><u>\$ 1,558,665</u></u>

Deferred Inflows of Resources

Difference between expected and actual experience	\$ 132,063
Changes in assumption	230,981
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and difference between Association contributions and proportionate share of contributions	244,528
Association contributions subsequent to the measurement date	<u>-</u>
	<u><u>\$ 607,572</u></u>

\$27,282 reported as deferred outflows of resources related to pensions resulting from Association contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021.

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

Year Ending September 30:

2021	\$ 282,196
2022	235,112
2023	187,900
2024	218,603
Total	<u><u>\$ 923,811</u></u>

Actuarial assumptions

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

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

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

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

	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30.0%	6.30%
International Equity	21.0%	6.85%
Private Equity	7.0%	9.75%
Domestic Fixed Income	23.0%	1.25%
International Fixed Income	0.0%	0.00%
Global Real Assets	19.0%	5.01%
Cash Equivalents	0.0%	0.00%
Total	<u>100%</u>	

Discount rate

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

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

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

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

The following presents the 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:

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Association's proportionate share of the net pension liability	\$ 3,381,466	\$ 2,606,290	\$ 1,972,007

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 10 - Other Post-Employment Benefits

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

At September 30, 2020, the Association reported a liability of \$67,435 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 Association's proportion of the net OPEB liability was based on the Association's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Association's proportion was 0.080166 percent, which was a decrease of 0.017487 percent from its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the Association recognized OPEB expense of \$21,933. At September 30, 2020, the Association reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources

Difference between expected and actual experience	\$ 1,497
Changes in assumption	9,042
Net difference between projected and actual earnings on OPEB plan investments	2,319
Changes in proportion and difference between Association contributions and proportionate share of contributions	1,999
Association contributions subsequent to the measurement date	2,744
	\$ 17,601

Deferred Inflows of Resources

Difference between expected and actual experience	\$ 1,617
Changes in assumption	-
Net difference between projected and actual earnings on OPEB plan investments	-
Changes in proportion and difference between Association contributions and proportionate share of contributions	11,435
Association contributions subsequent to the measurement date	-
	\$ 13,052

\$2,744 reported as deferred outflows of resources related to OPEB resulting from Association contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2021.

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

Year Ending September 30:

2021	\$	216
2022		816
2023		706
2024		39
2025		(145)
2026		173
Totals	<u>\$</u>	<u>1,805</u>

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33.0%	6.10%
Small Cap Domestic Equities	6.0%	7.00%
International Equities	21.0%	1.15%
Core-Plus Fixed Income	<u>40.0%</u>	6.45%
Total	<u>100%</u>	

Discount rate

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

Sensitivity of the Association's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Association's proportionate share of the net OPEB liability	\$ 88,443	\$ 67,435	\$ 49,671

Note 11 - Lease Agreements

The North Dakota State Fair Association, as lessor, has entered into lease agreements with local organizations for the use of Association buildings. The lessees have use of the facilities for established months of each year and the Association has use of the facilities for the period which coincides with fair time.

Lease terms are as follows:

	<u>Term and Expiration Date</u>	<u>Annual Rental</u>
Minot Soccer Association	5 years through September 2022	\$ 25,200
Minot Park District	3 years through February 2022	66,538
Minot Curling Club Contract	5 years through April 2022	7,200
Minot Y's Men's PRCA	3 years through October 2020	19,245
Circus Contract	5 years through April 2021	8,350
Northwest Dakota Cellular of North Dakota	5 years through August 2024	22,000

The leases are accounted for as operating leases. All contracts are cancelable in the event the facilities specified within the contracts are destroyed.

The minimum aggregate lease revenue over the next five years is as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2021	\$ 127,413
2022	79,124
2023	22,000
2024	22,000
	<u>\$ 250,537</u>

Foundation

The North Dakota State Fair Foundation leases land to Golf Minot, Inc. for an annual lease payment of \$25,000. The term of the lease is 49 years, expiring October 31, 2063.

Note 12 - Risk Management

The North Dakota State Fair Association 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/pools established by the State for risk management issues:

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of State agencies resulting from the elimination of the State's sovereign immunity. The RMF manages the tort liability of the State, its agencies' employees and the University System. All State agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

In 1986 State agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for over 2,000 State agencies and political subdivisions. The North Dakota State Fair Association pays an annual premium to NDRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRF is limited to losses of one million dollars per occurrence.

The Association also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the agency with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The agency participates in the North Dakota Workforce Safety and Insurance Fund (WSI), an Enterprise Fund of the State of North Dakota. The WSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available 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 two fiscal years.

Note 13 - Commitments

The North Dakota State Fair Association entered into a lease and concessions arrangement with M & S Concessions. The lessee is responsible to provide for its own concession equipment. In the event that the lease is not renewed or terminated, the Association is committed to purchase the equipment and improvements installed by the lessee at a price equal to "depreciated value." Depreciated value means the original cost of the equipment or improvements, less 10% per year from the date of installation to the date of termination. Estimated depreciated value at September 30, 2020 was \$9,545.

Note 14 Discretely Presented Component Unit Correction of Error

Certain errors in the Foundation resulted in misstatements of amounts previously reported for accounts receivable and revenue as of September 30, 2019 were discovered in the current year. Accordingly, adjustments have been made to beginning net position for the Foundation as of October 1, 2019 to correct the errors. See below for effects of the restatement for the Foundation.

Net Position -October 1, as previously reported	\$ 1,344,362
Restatement	
Understatement of Accounts Receivable	25,000
Net position - October 1, as restated	\$ 1,369,362

Note 15 - Subsequent Events

The North Dakota Firefighter’s Association renewed their lease with the North Dakota State Fair Association on February 25, 2021. The lease calls for annual payments of \$25,600 and matures in March 2025.

Subsequent to year-end, North Dakota State Fair Association was awarded a Shuttered Venue Operators Grant issued through the U.S. Small Business Administration in the amount of \$2,348,741 to provide relief for the negative impacts the COVID-19 pandemic had on North Dakota State Fair Association.

No other significant events occurred subsequent to the Association’s year end. The North Dakota State Fair Association has evaluated subsequent events through the date which the financial statements were available to be issued.



Required Supplementary Information
September 30, 2020

North Dakota State Fair Association

Schedules of Required Supplementary Information

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

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.082844%	0.104758%	0.099552%	0.103911%	0.107160%	0.103567%
Employer's proportionate share of the net pension liability	\$2,606,290	\$1,227,840	\$1,670,191	\$1,044,379	\$704,238	\$699,082
Employer's covered payroll	\$913,866	\$1,089,664	\$1,060,771	\$1,079,917	\$922,657	\$927,789
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	285.19%	112.68%	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2015.

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$106,540	\$116,941	\$108,283	\$112,794	\$114,398	\$112,171
Contributions in relation to the statutorily required contribution	(\$106,540)	(\$116,941)	(\$108,283)	(\$112,794)	(\$114,398)	(\$112,171)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
Employer's covered payroll	\$1,496,353	\$1,642,423	\$1,520,829	\$1,584,181	\$1,606,715	\$1,575,432
Contributions as a percentage of covered payroll	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2015.

Schedules of Required Supplementary Information

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

	2020	2019	2018
Employer's proportion of the OPEB liability	0.080166%	0.097653%	0.093465%
Employer's proportionate share of the net OPEB liability	\$67,435	\$78,434	\$73,610
Employer's covered-employee payroll	\$913,866	\$1,089,664	\$1,022,715
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	7.38%	7.20%	7.20%
Plan fiduciary net position as a percentage of the total OPEB liability	63.38%	63.13%	61.89%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2018.

North Dakota State Fair Association
 Required Supplementary Information
 Schedules of Employer's Share of OPEB Liability and Employer Contributions
 September 30, 2020

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

	2020	2019	2018
Statutorily required contribution	\$17,058	\$18,724	\$17,337
Contributions in relation to the statutorily required contribution	(\$17,058)	(\$18,724)	(\$17,337)
Contribution deficiency (excess)	\$0	\$0	\$0
Employer's covered-employee payroll	\$1,496,353	\$1,642,423	\$1,520,829
Contributions as a percentage of covered-employee payroll	1.14%	1.14%	1.14%

*GASB Statement no. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2018.

Pension

Changes of benefit terms.

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

Changes of assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

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

OPEB

Changes of benefit terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

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



CPAs & BUSINESS ADVISORS

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*

The Board of Directors
North Dakota State Fair Association
Minot, 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 North Dakota State Fair Association and its discretely presented component unit as of and for the year then ended September 30, 2020, and the related notes to the financial statements which collectively comprise North Dakota State Fair Association’s basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Dakota State Fair Association'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Dakota State Fair Association’s internal control. Accordingly, we do not express an opinion on the effectiveness of North Dakota State Fair Association’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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Dakota State Fair Association'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*.

North Dakota State Fair Association's Response to Finding

North Dakota State Fair Association's response to the finding identified in our audit is described in the accompanying Schedule of Findings. North Dakota State Fair Association's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Bismarck, North Dakota
October 29, 2021

**2020-001 Material Restatement Audit Adjustment
Material Weakness**

Criteria: A proper system of internal accounting control should provide for the proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances. This also includes accounting for transactions in accordance with generally accepted accounting principles. Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Condition: We identified misstatements in the discretely presented component unit of the North Dakota State Fair Association's prior audited financial statements causing us to propose a material restatement audit adjustment. The financial statements and accompanying notes to the financial statements were not materially correct without the audit adjustment.

Cause: The North Dakota State Fair Association's internal control system did not identify errors in the reconciliation of accounts which caused a material restatement audit adjustment for the financial statements to not be materially correct.

Effect: Misstatements in the financial statements could result from inadequate controls over recording of transactions and it affects the North Dakota State Fair Association's ability to detect misstatements to the financial statements.

Recommendations: The North Dakota State Fair Association should enhance their system of internal controls over the reconciliation of accounts to reduce the risk of a material misstatement in the financial statements.

Views of responsible officials: There is no disagreement with the findings.