

# **AUDIT REPORT**

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

For the Year Ended June 30, 2020

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

TABLE OF CONTENTS  
For the Year Ended June 30, 2020

	<u>Page (s)</u>
Officials	1
Independent Auditor's Report	2 - 3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet – Governmental Fund	6
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	8
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	9
Notes to the Financial Statements	10 - 24
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule General Fund	25
Notes to the Budgetary Comparison Schedule	26
Schedule of Employer's Share of Net Pension Liability ND Teachers Fund for Retirement ND Public Employees Retirement System	27 28
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards	29
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	30 - 31
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	32 - 33
Schedule of Findings and Responses	34 - 35
Summary Schedule of Prior Audit Findings	36
Corrective Action Plan	

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

LIST OF OFFICIALS

Ben Schafer	Chairman
Dr. Steve Holen	Vice Chairman
Brion Norby	Board Member
Aaron Rudningen	Board Member
Matthew Schriver	Board Member
Dr. Jeffrey Thake	Board Member
Heather Wheeler	Board Member
Shawn Huss	Administrator
Crystal Rocketship	Business Manager

# Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA  
Ken Mehrer, CPA  
Bryce Fischer, CPA  
Todd Goehring, CPA

*Specializing in Governmental Auditing*

425 North Fifth Street  
Bismarck, ND 58501  
Phone 701-258-4560  
Fax 701-258-4983

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Wil-Mac Multidistrict Special Education Unit  
Williston, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Wil-Mac Multidistrict Special Education Unit, Williston, North Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the special education unit'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 judgement, 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 special education unit'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 special education unit'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 the government activities and the major fund of the Wil-Mac Multidistrict Special Education Unit, Williston, North Dakota, as of June 30, 2020, 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.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgeting comparison information on pages 25 through 26, and the schedules of employer's share of net pension liability on pages 27 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

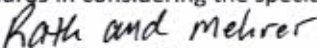
### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the special education unit's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 25, 2020 on our consideration of the special education unit'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 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 special education unit's internal control over financial reporting and compliance.

  
Rath and Mehrer, P.C.

Bismarck, North Dakota

December 25, 2020

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Statement of Net Position  
June 30, 2020

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	1,229,278.89
Intergovernmental Receivables	2,559,464.34
Capital Assets (net of accumulated depreciation):	
Buildings	<u>1,467,200.00</u>
Total Assets	<u>5,255,943.23</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Changes in Resources Related to Pensions	<u>2,892,287.00</u>
<u>LIABILITIES:</u>	
Accounts Payable	2,442,598.63
Accrued Salaries and Benefits Payable	806,500.82
Net Pension Liability	<u>9,225,252.00</u>
Total Liabilities	<u>12,474,351.45</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Changes in Resources Related to Pensions	<u>1,041,164.00</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	1,467,200.00
Unrestricted	<u>(6,834,485.22)</u>
Total Net Position	<u><u>(5,367,285.22)</u></u>

The accompanying notes are an integral part of these financial statements.

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION DISTRICT  
Williston, North Dakota

Statement of Activities  
For the Year Ended June 30, 2020

	Program Revenues		Net (Expense)	
	Expenses	Charges for Services	Revenue and	
			Changes in Net Position	
		Operating Grants and Contributions	Governmental Activities	
<b><u>Governmental Activities:</u></b>				
Instruction	13,443,364.83	673,866.96	1,762,659.15	(11,006,838.72)
Behavior Health Services	210,042.08			(210,042.08)
Psychological Services	405,238.16		188,294.81	(216,943.35)
Speech Pathology and Audiology Serv.	2,338.65			(2,338.65)
Medical Services	37,214.40		23,000.00	(14,214.40)
Occupational Therapy	188,116.60	53,693.75		(134,422.85)
Physical Therapy	153,532.87			(153,532.87)
Improvement of Instructional Services	85,537.07			(85,537.07)
Instructional Staff Development Serv.	118,165.78		56,886.64	(61,279.14)
Governing Board	191,717.26			(191,717.26)
Special Area Administration Services	457,658.62	21,600.00		(436,058.62)
Student Transportation	4,506.48			(4,506.48)
Central Support Services	607,940.70			(607,940.70)
Recruitment Services	1,473.59			(1,473.59)
Boarding Care Services	7,892.63	21,405.70		13,513.07
Interest on Long-Term Debt	16,200.01			(16,200.01)
Unallocated Depreciation	33,800.00			(33,800.00)
<b>Total Governmental Activities</b>	<b>15,964,739.73</b>	<b>770,566.41</b>	<b>2,030,840.60</b>	<b>(13,163,332.72)</b>
<b><u>General Revenues:</u></b>				
Member district assessments				3,600,000.01
State aid - not restricted to specific program				8,943,485.11
Earnings on investments and other revenue				27,166.81
<b>Total General Revenues</b>				<b>12,570,651.93</b>
Change in Net Position				(592,680.79)
Net Position - July 1				(4,774,604.43)
Net Position - June 30				(5,367,285.22)

The accompanying notes are an integral part of these financial statements.

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Balance Sheet  
Governmental Fund  
June 30, 2020

	<u>Major Fund</u>
	<u>General</u>
<b><u>ASSETS:</u></b>	
Cash	1,229,278.89
Intergovernmental Receivables	<u>2,559,464.34</u>
 Total Assets	 <u><u>3,788,743.23</u></u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
<b><u>Liabilities:</u></b>	
Accounts Payable	2,442,598.63
Accrued Salaries and Benefits Payable	<u>806,500.82</u>
 Total Liabilities	 <u><u>3,249,099.45</u></u>
 <b><u>Fund Balance:</u></b>	
Unassigned	<u>539,643.78</u>
 Total Liabilities and Fund Balance	 <u><u>3,788,743.23</u></u>

The accompanying notes are an integral part of these financial statements.



WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Reconciliation of Governmental Fund Balance Sheet  
to the Statement of Net Position  
For the Year Ended June 30, 2020

Total Fund Balance for Governmental Fund		539,643.78
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.		
Cost of Capital Assets	1,690,000.00	
Less Accumulated Depreciation	<u>(222,800.00)</u>	
Net Capital Assets		1,467,200.00
The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.		
Total Deferred Outflows of Resources	2,892,287.00	
Total Deferred Inflows of Resources	<u>(1,041,164.00)</u>	
Net Deferred Outflows/Inflows of Resources		1,851,123.00
Long-term liabilities applicable to the special education unit's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities -both current and long-term- are reported in the statement of net position. Balance at June 30, 2020 is:		
Net Pension Liability		<u>(9,225,252.00)</u>
Total Net Position of Governmental Activities		<u>(5,367,285.22)</u>

The accompanying notes are an integral part of these financial statements.

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Statement of Revenues, Expenditures and Changes  
in Fund Balance - Governmental Fund  
For the Year Ended June 30, 2020

	Major Fund
	General
<u>Revenues:</u>	
Local Sources	3,648,766.82
State Sources	9,692,451.52
Federal Sources	2,030,840.60
Total Revenues	15,372,058.94
<u>Expenditures:</u>	
Current:	
Instruction	12,701,271.83
Behavior Health Services	210,042.08
Psychological Services	405,238.16
Speech Pathology and Audiology Serv.	2,338.65
Medical Services	37,214.40
Occupational Therapy	188,116.60
Physical Therapy	153,532.87
Improvement of Instructional Services	85,537.07
Instructional Staff Development Serv.	118,165.78
Governing Board	191,717.26
Special Area Administration Services	457,658.62
Student Transportation	4,506.48
Central Support Services	607,940.70
Recruitment Services	1,473.59
Boarding Care Services	7,892.63
Capital Outlay	340,000.00
Debt Service:	
Principal	525,275.77
Interest	16,200.01
Total Expenditures	16,054,122.50
Net Change in Fund Balance	(682,063.56)
Fund Balance - July 1	1,221,707.34
Fund Balance - June 30	539,643.78

The accompanying notes are an integral part of these financial statements.

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Reconciliation of Governmental Fund Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2020

Net Change in Fund Balance - Governmental Fund	(682,063.56)
--	--------------

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. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	340,000.00	
Current Year Depreciation Expense	<u>(33,800.00)</u>	306,200.00

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayment of debt exceeded debt proceeds.

Debt Proceeds	-	
Repayment of Debt	<u>525,275.77</u>	525,275.77

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 Increase to Pension Expense	<u>(742,093.00)</u>
---------------------------------	---------------------

Change in Net Position of Governmental Activities	<u><u>(592,680.79)</u></u>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Notes to the Financial Statements  
June 30, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wil-Mac Multidistrict Special Education Unit have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the special education unit. The special education unit has considered all potential component units for which the special education unit is financially accountable and other organizations for which the nature and significance of their relationships with the special education unit are such that exclusion would cause the special education unit's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the special education unit to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the special education unit.

Based on these criteria, there are no component units to be included within the Wil-Mac Multidistrict Special Education Unit as a reporting entity.

B. Basis of Presentation

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government, Wil-Mac Multidistrict Special Education Unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the special education unit's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the special education unit's fund. The emphasis of fund financial statements is on the major governmental fund.

The special education unit reports the following major governmental fund:

*General Fund.* This is the special education unit's primary operating fund. It accounts for all financial resources of the general government.

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

*Government-wide Financial Statements:* The government-wide financial statements are reported using the economic resources measurement focus. These financial statements are reported using 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. Nonexchange transactions, in which the special education unit gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. 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 special education unit considers all revenues reported in the governmental fund 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 general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

#### D. Cash

Cash includes amounts in demand deposits and money market accounts.

#### E. Capital Assets

Capital assets include vehicles and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the special education unit as assets with an initial individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	50 years
-----------	----------

#### F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

#### G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### H. Pensions

For purposes of measuring 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 Teacher's Fund for Retirement (TFFR) and the North Dakota Public Employees Retirement System (NDPERS); additions to/deductions from TFFR's and NDPERS' fiduciary net position have been determined on the same basis as they are reported by TFFR and 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.

#### I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

**Fund Balance** – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the special education unit is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

**Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the special education unit or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments

(i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

**Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the governing board through the adoption of a resolution. The governing board also may modify or rescind the commitment.

**Assigned** – Fund balances are reported as assigned when amounts are constrained by the special education unit's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The special education unit reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the special education unit's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the special education unit's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

**Net Position** – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the special education unit has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

#### J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

#### Note 2 DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. 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 any 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 other securities approved by the banking board.

At June 30, 2020 the special education unit's carrying amount of deposits was \$1,229,279 and the bank balance was \$3,552,581. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$3,302,581 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

The special education unit may invest idle funds as authorized in North Dakota Statutes, as follows:

- (1) 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.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

Concentration of Credit Risk

The special education unit does not have a limit on the amount the special education unit may invest in any one issuer.

Note 3 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various special education unit programs. This amount consists of a mix of state and federal dollars.

Note 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance July 1	Increases	Decreases	Balance June 30
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings	1,350,000	340,000		1,690,000
<i>Less accumulated depreciation for:</i>				
Buildings	189,000	33,800		222,800
Governmental Activities Capital Assets, Net	<u>1,161,000</u>	<u>306,200</u>	-	<u>1,467,200</u>



Depreciation expense was charged to functions/programs of the special education unit as follows:

Unallocated Depreciation	<u>33,800</u>
--------------------------	---------------

**Note 5** ACCOUNTS PAYABLE

Accounts payable consists of the final special education reimbursements owed to member districts for services provided prior to June 30, 2020 and amounts on open account for goods and services received prior to June 30, 2020 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

**Note 6** ACCRUED SALARIES AND BENEFITS PAYABLE

Accrued salaries and benefits payable consists of services received prior to June 30, but paid subsequent to that date.

**Note 7** LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended June 30, 2020 the following changes occurred in liabilities reported in the long-term liabilities – Governmental Activities:

	<u>Balance July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Bank Loan Payable	525,276	-	525,276	-	-

**Note 8** RISK MANAGEMENT

The Wil-Mac Multidistrict Special Education Unit is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The special education unit pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of \$3,000,000 per occurrence for general liability.

The special education unit also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The special education unit pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the special education unit with a 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 special education unit has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 9 PENSION PLANS

1. North Dakota Teacher's Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC 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.

**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.

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

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

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

Pension benefits paid by TFFR for all three categories are determined by NDCC Section 15-39.1-10. *Tier 1* 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. *Tier 2* Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

### **Death and Disability Benefits**

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

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

### **Member and Employer Contributions**

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70.5. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2020, the Wil-Mac Multidistrict Special Education Unit reported a liability of \$8,426,215 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2019 the special education unit's proportion was .611813 percent, which was an increase of .058272 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the special education unit recognized pension expense of \$1,237,448. At June 30, 2020 the special education unit reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	12,032	304,105
Changes in assumptions	299,482	-
Net difference between projected and actual earnings on pension plan investments	118,609	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,449,656	200,893
District contributions subsequent to the measurement date (see below)	<u>565,611</u>	<u>-</u>
Total	<u>2,445,390</u>	<u>504,998</u>

\$565,611 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 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 ended June 30:	
2020	522,830
2021	322,843
2022	222,093
2023	196,796
2024	22,812
Thereafter	87,406

**Actuarial assumptions.** The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using the Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2019 funding actuarial valuation for TFFR.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- \* 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 tables with generational improvement.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	58%	6.90%
Global Fixed Income	23%	2.10%
Global Real Assets	18%	5.40%
Cash Equivalents	1%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employee contributions will be made at rates equal to those based on the July 1, 2019, 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 June 30, 2019. 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, 2019.

**Sensitivity of the special education unit's proportionate share of the net pension liability to changes in the discount rate.** The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the district's proportionate share of the net pension liability

would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
The district's proportionate share of the net pension liability	11,379,689	8,426,215	5,971,803

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

## 2. North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS benefits program 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 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 provision 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 of 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 covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

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

At June 30, 2020, the Wil-Mac Multidistrict Special Education Unit reported a liability of \$799,037 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district'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, 2019 the district's proportion was .68173 percent, which was a decrease of .14093 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the district recognized pension expense of \$142,880. At June 30, 2020 the district reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	474	145,010
Changes in assumptions	298,579	256,356
Net difference between projected and actual earnings on pension plan investments	13,921	
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,756	134,800
District contributions subsequent to the measurement date (see below)	<u>75,167</u>	
Total	<u>446,897</u>	<u>536,166</u>

\$75,167 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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:

<u>Year ended June 30:</u>	
2020	23,652
2021	(9,158)
2022	(47,611)
2023	(100,224)
2024	(31,095)
Thereafter	0



**Actuarial assumptions.** The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at	
	Beginning of Year	Increase Rate
	0	15.00%
	1	10.00%
	2	8.00%
	Age *	
	Under 30	10.00%
	30 - 39	7.50%
	40 - 49	6.75%
	50 - 59	6.50%
60+	5.25%	

\* Age-based salary increase rates apply for employees with three or more years of service.

Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2019 funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2019. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Equity Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

**Discount rate.** For PERS, GASB 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 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

**Sensitivity of the district's proportionate share of the net pension liability to changes in the discount rate.** The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
The district's proportionate share of the net pension liability	1,145,647	799,037	507,824

**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 POSTEMPLOYMENT BENEFITS

The special education unit is required to implement GASB Statement No. 75, Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions. The effect of this statement is not material to the special education unit's financial statements.

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT

Williston, North Dakota

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources	3,640,100.00	3,640,100.00	3,648,766.82	8,666.82
State Sources	9,120,793.71	9,120,793.71	9,692,451.52	571,657.81
Federal Sources	2,030,840.60	2,030,840.60	2,030,840.60	-
<b>Total Revenues</b>	<b>14,791,734.31</b>	<b>14,791,734.31</b>	<b>15,372,058.94</b>	<b>580,324.63</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	11,584,377.90	11,584,377.90	12,701,271.83	(1,116,893.93)
Behavior Health Services	164,624.38	164,624.38	210,042.08	(45,417.70)
Psychological Services	383,052.09	383,052.09	405,238.16	(22,186.07)
Speech Pathology and Audiology Serv.	10,000.00	10,000.00	2,338.65	7,661.35
Medical Services	23,000.00	23,000.00	37,214.40	(14,214.40)
Occupational Therapy	257,637.20	257,637.20	188,116.60	69,520.60
Physical Therapy	153,367.26	153,367.26	153,532.87	(165.61)
Other Student Support Service	700.00	700.00		700.00
Improvement of Instructional Services	56,000.00	56,000.00	85,537.07	(29,537.07)
Instructional Staff Development Serv.	128,000.00	128,000.00	118,165.78	9,834.22
Other Educational Media Service	300.00	300.00		300.00
Governing Board	234,129.94	234,129.94	191,717.26	42,412.68
Special Area Administration Services	430,860.54	430,860.54	457,658.62	(26,798.08)
Student Transportation	15,000.00	15,000.00	4,506.48	10,493.52
Central Support Services	566,660.10	566,660.10	607,940.70	(41,280.60)
Recruitment Services			1,473.59	(1,473.59)
Boarding Care Services			7,892.63	(7,892.63)
Capital Outlay			340,000.00	(340,000.00)
<b>Debt Service:</b>				
Principal	105,000.00	105,000.00	525,275.77	(420,275.77)
Interest			16,200.01	(16,200.01)
<b>Total Expenditures</b>	<b>14,112,709.41</b>	<b>14,112,709.41</b>	<b>16,054,122.50</b>	<b>(1,941,413.09)</b>
<b>Net Change in Fund Balances</b>	<b>679,024.90</b>	<b>679,024.90</b>	<b>(682,063.56)</b>	<b>(1,361,088.46)</b>
<b>Fund Balance - July 1</b>	<b>1,221,707.34</b>	<b>1,221,707.34</b>	<b>1,221,707.34</b>	
<b>Fund Balance - June 30</b>	<b>1,900,732.24</b>	<b>1,900,732.24</b>	<b>539,643.78</b>	<b>(1,361,088.46)</b>

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Notes to the Budgetary Comparison Schedule  
June 30, 2020

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the director prepares the special education unit budget. The special education unit's budget is prepared for the general fund by function and activity on the modified accrual basis of accounting. The budget includes proposed expenditures and the means of financing them. The board reviews the budget, may make revisions and approves it. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the official proceedings of the board. All annual appropriations lapse at year end.

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board did not amend the special education unit's budget during the year ended June 30, 2020.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the general fund by \$1,941,413.09 for the year ended June 30, 2020. No remedial action is anticipated or required by the special education unit regarding these expenditures.

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Schedule of Employer's Share of Net Pension Liability  
ND Teacher's Fund for Retirement  
Last 10 Fiscal Years \*

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.611813%	0.553541%	0.575750%	0.512116%	0.470684%	0.425139%
District's proportionate share of the net pension liability	8,426,215	7,377,918	7,908,077	7,502,804	6,155,865	4,454,703
District's covered employee payroll	4,292,043	3,795,489	3,839,234	3,168,863	2,895,200	2,466,035
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.32%	194.39%	205.98%	236.77%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	65.50%	65.50%	63.20%	59.20%	62.10%	66.60%

Schedule of Employer Contributions  
ND Teacher's Fund for Retirement  
Last 10 Fiscal Years \*

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	547,236	483,925	489,503	404,030	369,138	265,096
Contributions in relation to the statutorily required contributions	(547,236)	(483,925)	(489,503)	(404,030)	(369,138)	(265,096)
Contribution deficiency (excess)	0	0	0	0	0	0
District's covered-employee payroll	4,292,043	3,795,489	3,839,234	3,168,863	2,895,200	2,466,035
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%	12.75%	10.75%

\* Complete data for this schedule is not available prior to 2015.

- For changes of assumptions, see Note 9 to the financial statements.

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION DISTRICT  
Williston, North Dakota

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

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.681730%	0.822660%	0.077503%	0.73326%	0.075410%	0.062627%
District's proportionate share of the net pension liability	799,037	1,388,328	1,245,728	714,663	512,775	397,507
District's covered employee payroll	798,609	825,720	768,713	807,717	717,542	580,807
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.05%	168.14%	162.05%	88.48%	71.46%	68.44%
Plan fiduciary net position as a percentage of the total pension liability	71.60%	62.80%	61.98%	70.46%	77.15%	77.70%

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	56,861	58,791	54,732	57,509	51,089	39,008
Contributions in relation to the statutorily required contributions	(56,861)	(58,791)	(54,732)	(57,509)	(51,089)	(39,008)
Contribution deficiency (excess)	0	0	0	0	0	0
District's covered-employee payroll	798,609	825,720	768,713	807,717	717,542	580,807
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	7.12%	6.72%

\* Complete data for this schedule is not available prior to 2015.

- For changes of assumptions, see Note 9 to the financial statements.

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Public Instruction:			
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027		1,979,772.45
Special Education - Preschool Grants (IDEA Preschool)	84.173		<u>51,068.15</u>
Total Expenditures of Federal Awards			<u><u>2,030,840.60</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

The de minimis indirect cost rate was not used.

# Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA  
Ken Mehrer, CPA  
Bryce Fischer, CPA  
Todd Goehring, CPA

*Specializing in Governmental Auditing*

425 North Fifth Street  
Bismarck, ND 58501  
Phone 701-258-4560  
Fax 701-258-4983

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*

INDEPENDENT AUDITOR'S REPORT

Governing Board  
Wil-Mac Multidistrict Special Education Unit  
Williston, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Wil-Mac Multidistrict Special Education Unit, Williston, North Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the special education unit's basic financial statements, and have issued our report thereon dated December 25, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the special education unit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the special education unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the special education unit'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the special education unit's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002, that we consider to be significant deficiencies.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the special education unit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

### **Special Education Unit's Response to Findings**

The special education unit's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The special education unit's response was not subjected 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 special education unit's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the special education unit's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

December 25, 2020

# Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA  
Ken Mehrer, CPA  
Bryce Fischer, CPA  
Todd Goehring, CPA

*Specializing in Governmental Auditing*

425 North Fifth Street  
Bismarck, ND 58501  
Phone 701-258-4560  
Fax 701-258-4983

## REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITOR'S REPORT

Governing Board  
Wil-Mac Multidistrict Special Education Unit  
Williston, North Dakota

#### **Report on Compliance for Each Major Federal Program**

We have audited the Wil-Mac Multidistrict Special Education Unit's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the special education unit's major federal programs for the year ended June 30, 2020. The special education unit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the special education unit's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the special education unit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the special education unit's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, the special education unit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## Report on Internal Control Over Compliance

Management of the Wil-Mac Multidistrict Special Education Unit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the special education unit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the special education unit's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

December 25, 2020

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Schedule of Findings and Responses  
For the Year Ended June 30, 2020

**SECTION I – SUMMARY OF AUDIT RESULTS:**

Financial Statements

Type of Auditor's Report Issued:	
Governmental Activities	Unmodified
Major Governmental Fund	Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified? \_\_\_\_\_   X   Yes      \_\_\_\_\_ None Reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes        X   None Reported

Type of auditor's report issued on compliance for major program(s):	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes <u>  X  </u> No
--	---------------------------

Identification of major program(s):

Federal Assistance Listing Number

84.027  
84.173

Name of Federal Program

Special Education – Grants to States (IDEA, Part B)  
Special Education – Preschool Grants (IDEA Preschool)

Dollar threshold used to distinguish between type A and type B Programs:	\$750,000
--	-----------

Auditee qualified as a low-risk auditee?	<u>  X  </u> Yes      _____ No
--	--------------------------------

## SECTION II – FINANCIAL STATEMENT FINDINGS:

### Significant Deficiencies

#### 1. 2020-001 – Segregation of Duties

*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.

*Condition:* The special education unit has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

*Cause:* The special education unit does not have a large enough staff to properly segregate all duties.

*Effect:* A lack of segregation of duties leads to a limited degree of internal control.

*Recommendation:* We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

*Views of Responsible Officials:* The special education unit is aware of the condition and segregates duties whenever possible.

*Repeat Finding from Prior Year:* Yes, prior year finding No. 2019-001

#### 2. 2020-002- Financial Statement Preparation

*Criteria:* A good system of internal controls requires the special education unit to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the special education unit must maintain knowledge of current accounting principles and required financial statement disclosures.

*Condition:* The special education unit's financial statements, including the accompanying note disclosures, are prepared by the special education unit's external auditors.

*Cause:* The special education unit feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

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

*Recommendation:* We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to external distribution.

*Views of Responsible officials:* The special education unit will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

*Repeat Finding from Prior Year:* Yes, prior year finding No. 2019-002

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2020

1. Finding No. 2019-001: Segregation of Duties

*Status:* This finding is repeated and updated in the Schedule of Findings and Responses as No. 2020-001.

*Reasons for Recurrence and Corrective Action Plan:* The special education unit has determined that it is not cost effective to employ additional personnel just to adequately segregate duties. See Corrective Action Plan.

2. Finding No. 2019-002: Financial Statement Preparation

*Status:* This finding is repeated and updated in the Schedule of Findings and Responses as No. 2020-002.

*Reasons for Recurrence and Corrective Action Plan:* The special education unit feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures. See Corrective Action Plan.

**Director**

Shawn Huss

**Business Manager**

Crystal Rocketship

**Program Coordinators**

Nicole Johnsrud

Teresa Kylo

Karla Magnuson

Jacqueline Teskey



**Board Members**

Dr. Steve Holen

Brion Norby

Aaron Rudningen

Ben Schafer

Matthew Schriver

Dr. Jeffrey Thake

Heather Wheeler

PO BOX 2397 • Williston, ND 58802-2397 | P 701-572-6757 • F 701-774-3532

WIL-MAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
Williston, North Dakota

Corrective Action Plan  
For the Year Ended June 30, 2020

1. Finding No. 2020-001: Segregation of Duties

*Contact Person:* Crystal Rocketship, Business Manager

*Corrective Action Plan:* The special education unit has determined that it is not cost effective to employ additional personnel just to adequately segregate duties.

*Completion Date:* The Wil-Mac Multidistrict Special Education Unit will implement when it becomes cost effective.

2. Finding No. 2020-002: Financial Statement Preparation

*Contact Person:* Crystal Rocketship, Business Manager

*Corrective Action Plan:* The special education unit feels that it is more cost effective to have their external auditors prepare the financial statements and note disclosures.

*Completion Date:* The Wil-Mac Multidistrict Special Education Unit will implement when it becomes cost effective.