



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Williston Public School District No. 1

Williston, North Dakota

Audit Report for the Year Ended June 30, 2021

Client Code: PS 53300



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Office of the
State Auditor

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

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WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

School Officials

June 30, 2021

SCHOOL OFFICIALS

Tom Kalil	Board President
Heather Wheeler	Board Vice-President
Cory Swint	Board Member
Emily Ramage-Geltel	Board Member
Laurie Garbel	Board Member
Jeff Thake	Superintendent

STATE AUDITOR
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INDEPENDENT AUDITOR'S REPORT

Williston Public School Board
Williston Public School District No. 1
Williston, North Dakota

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities and each major fund of the Williston Public School District No. 1, Williston, North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Williston Public School District No. 1'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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion

The Williston Public School District No. 1 does not maintain adequate accounting records to provide sufficient information for the preparation of the financial statements including the following:

- Bank reconciliations were inaccurate. The district made adjustments to their cash accounts that ranged from a negative \$4,011,513 to a positive \$1,897,528 resulting in an overall net change in the amount of \$318,150 which was charged to "school board other expenses" in the general fund as an unsupported adjustment.
- Manual adjusting journal entries into the general ledger were excessive, unsupported, and lacked approval. Adjusting entries totaled approximately \$377 million for the audit period.
- Fund equity adjustments for the student activity fund totaling approximately \$147,650 were recorded into the general ledger. The district did not maintain supporting documentation or obtain approval by management or the school board, for these adjustments.
- Williston Public School District No. 1 did not maintain supporting documentation for 14 out of 65 expenditures tested, totaling \$372,290. These errors projected to the population result in a total potential error of \$679,058.

- Williston Public School District No. 1 misclassified expenditures that were tested totaling \$628,448 which resulted in a 36% error in the sample. This error projected to the population results in a potential error of \$2,920,622.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the financial statements. Accordingly, we do not express an opinion on the financial statements of Williston Public School District No. 1.

Emphasis of Matter

Prior Period Restatement

As discussed in Note 11 to the financial statements, the 2020 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to these matters.

Government Combination

As discussed in Note 10, during the year ended June 30, 2021 a public election took place which approved a plan for the reorganization and combination of Williston Public School District No.1 with another local district. The effective date of the government combination is effective July 1, 2021. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, Williston Public School District No.1 adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities. 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 *budgetary comparison information, schedule of district's share of net pension liability and district contributions, and schedule of district's share of net OPEB liability and district contributions, and notes to the required supplementary information* 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.

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

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The *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 (Uniform Guidance) and is not a required part of the financial statements. Because of the significance of the matter described above in the *Basis for Disclaimer of Opinion* paragraph, it is inappropriate to, and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2023, on our consideration of the Williston Public School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Williston Public School District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Williston Public School District No. 1's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 1, 2023

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 12,135,091
Taxes receivable	1,379,157
Intergovernmental receivable	3,187,120
Inventory	22,611
Prepaid expenses	2,907
Capital assets, not being depreciated	
Land	3,078,290
Capital assets, net of accumulated depreciation	
Buildings	90,733,688
Modular leasehold improvements	3,054,306
Furniture and equipment	988,425
Land and building improvements	1,279,497
Vehicles	<u>386,977</u>
Total assets	<u>116,248,069</u>
DEFERRED OUTFLOWS OF RESOURCES	
Derived from pension and OPEB	<u>33,308,255</u>
Total assets and deferred outflows of resources	<u>\$ 149,556,324</u>
LIABILITIES	
Accounts payable	\$ 39,918
Salaries and benefits payable	4,809,149
Interest payable	612,667
Unearned revenue	16,851
Long-term liabilities	
Portion due or payable within one year	
Bond payable	1,095,000
Bond premium	73,626
Compensated absences	88,257
Construction loan payable	987,533
Certificate of indebtedness payable	1,005,000
Special assessments payable	310,947
Portion due or payable after one year	
Bond payable	21,190,000
Compensated absences	353,027
Bond premium	589,567
Construction loan payable	14,177,563
Certificate of indebtedness payable	10,890,000
Special assessments payable	5,951,539
Net pension and OPEB liability	<u>78,222,224</u>
Total liabilities	<u>140,412,868</u>

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
Statement of Net Position - Continued

DEFERRED INFLOWS OF RESOURCES

Derived from pension and OPEB 5,899,545

NET POSITION

Net investment in capital assets 48,760,663

Restricted for

Debt services 1,378,916

Building fund 3,512,110

Special reserve 1,077,792

Student activities 1,217,630

Food service 103,200

Unrestricted (52,806,400)

Total net position 3,243,911

Total liabilities, deferred inflows of resources and net position \$ 149,556,324

The notes to the financial statements are an integral part of this statement.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Statement of Activities

For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 40,313,429	\$ 400,456	\$ 12,767	\$ (39,900,206)
Federal programs	8,861,514	-	3,907,763	(4,953,751)
Special education	1,197,221	-	2,127,221	930,000
Vocational education	1,193,008	-	41,411	(1,151,597)
District wide services	6,672,369	-	-	(6,672,369)
Administration	4,354,523	-	-	(4,354,523)
Operations and maintenance	4,170,554	-	-	(4,170,554)
Food service	3,377,575	450,096	2,351,241	(576,238)
Transportation	968,759	-	-	(968,759)
Student activities	2,202,977	422,838	-	(1,780,139)
Debt service - interest	<u>1,555,588</u>	<u>-</u>	<u>-</u>	<u>(1,555,588)</u>
Total governmental activities	\$ <u>74,867,517</u>	\$ <u>1,273,390</u>	\$ <u>8,440,403</u>	<u>(65,153,724)</u>

GENERAL REVENUES

Property taxes; levied for general purposes	12,641,059
In lieu of taxes	123,701
Sales tax levy	2,295,453
Oil and gas tax	4,410,858
State aid not restricted to specific program	35,587,448
Earnings on investments	22,339
Miscellaneous revenues	<u>701,186</u>
Total general revenues	<u>55,782,044</u>
Change in net position	<u>(9,371,680)</u>
Net position - July 1, as previously reported	18,864,950
Change in accounting principle - Note 1	1,109,826
Prior period adjustment - Note 11	<u>(7,359,185)</u>
Net position July 1, as restated	<u>12,615,591</u>
Net position - June 30	\$ <u><u>3,243,911</u></u>

The notes to the financial statements are an integral part of this statement.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Balance Sheet – Governmental Funds

June 30, 2021

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>
ASSETS			
Cash and cash equivalents	\$ 5,018,684	\$ 3,478,277	\$ 1,356,949
Taxes receivable	956,132	186,143	205,513
Intergovernmental receivable	3,026,197	-	-
Due from other funds	27,730	-	-
Inventory	-	-	-
Prepaid expenses	2,907	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u><u>9,031,650</u></u>	\$ <u><u>3,664,420</u></u>	\$ <u><u>1,562,462</u></u>
LIABILITIES			
Accounts payable	\$ 45	\$ 38,948	\$ -
Due to other funds	-	-	-
Salaries and benefits payable	4,768,293	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,768,338</u>	<u>38,948</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred rent	-	850	-
Deferred tax revenue	854,932	112,512	183,546
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>854,932</u>	<u>113,362</u>	<u>183,546</u>
FUND BALANCES			
Nonspendable	2,907	-	-
Restricted for			
Debt services	-	-	1,378,916
Special reserve	-	-	-
Building fund	-	3,512,110	-
Food service	-	-	-
Student activity	-	-	-
Unassigned	3,405,473	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,408,380</u>	<u>3,512,110</u>	<u>1,378,916</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u><u>9,031,650</u></u>	\$ <u><u>3,664,420</u></u>	\$ <u><u>1,562,462</u></u>

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
 Balance Sheet – Governmental Funds - Continued

<u>Food Service Fund</u>	<u>Student Activities</u>	<u>Special Reserve Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,206,806	\$ 1,074,375	\$ 12,135,091
-	-	31,370	1,379,158
148,963	11,960	-	3,187,120
-	-	-	27,730
22,611	-	-	22,611
-	-	-	2,907
<u>\$ 171,574</u>	<u>\$ 1,218,766</u>	<u>\$ 1,105,745</u>	<u>\$ 16,754,617</u>
\$ -	\$ 924	\$ -	\$ 39,917
27,730	-	-	27,730
40,644	212	-	4,809,149
68,374	1,136	-	4,876,796
-	-	-	850
-	-	27,953	1,178,943
-	-	27,953	1,179,793
22,611	-	-	25,518
-	-	-	1,378,916
-	-	1,077,792	1,077,792
-	-	-	3,512,110
80,589	-	-	80,589
-	1,217,630	-	1,217,630
-	-	-	3,405,473
103,200	1,217,630	1,077,792	10,698,028
<u>\$ 171,574</u>	<u>\$ 1,218,766</u>	<u>\$ 1,105,745</u>	<u>\$ 16,754,617</u>

The notes to the financial statements are an integral part of this statement.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
June 30, 2021

Total fund balances for governmental funds		\$ 10,698,028
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	128,053,304	
Less accumulated depreciation	<u>(28,532,122)</u>	
		99,521,182
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
		(612,667)
Compensated absences payable are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
		(441,284)
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		
		1,162,941
Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.		
		(78,222,224)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Total deferred outflows of resources	33,308,255	
Total deferred inflows of resources	<u>(5,899,545)</u>	
		27,408,710
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(22,285,000)	
Bond premium	(663,193)	
Special assessments	(6,262,486)	
Construction loan payable	(15,165,096)	
Certificate of indebtedness	<u>(11,895,000)</u>	
		<u>(56,270,775)</u>
Total net position of governmental activities		\$ <u><u>3,243,911</u></u>

The notes to the financial statements are an integral part of this statement.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>
REVENUES			
Local sources	\$ 15,342,589	\$ 2,043,154	\$ 2,288,628
State sources	35,628,858	-	-
Federal sources	3,899,964	-	-
Other sources	<u>2,233,291</u>	<u>457,108</u>	<u>281</u>
Total revenues	<u>57,104,702</u>	<u>2,500,262</u>	<u>2,288,909</u>
EXPENDITURES			
Current			
Regular instruction	25,630,531	35,790	(1,525)
Federal programs	2,968,957	-	-
Special education	4,037,475	-	-
Vocational education	11,453,451	-	-
District wide services	5,396,189	-	-
Administration	5,004,809	-	-
Operations and maintenance	5,123,806	81,627	-
Food service	-	-	-
Transportation	244,297	-	-
Student activities	21,684	-	-
Community services	564	-	-
Capital outlay	88,889	4,335,553	-
Debt service			
Principal	970,000	561,287	1,506,157
Interest and fees	<u>219,200</u>	<u>533,222</u>	<u>740,110</u>
Total expenditures	<u>61,159,852</u>	<u>5,547,479</u>	<u>2,244,742</u>
Excess (deficiency) of revenues over expenditures	<u>(4,055,150)</u>	<u>(3,047,217)</u>	<u>44,167</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	700,000	-	-
Transfers out	<u>(672,270)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>27,730</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(4,027,420)</u>	<u>(3,047,217)</u>	<u>44,167</u>
FUND BALANCES - JULY 1, AS PREVIOUSLY REPORTED	8,245,675	5,259,327	1,334,749
CHANGE IN ACCOUNTING PRINCIPLE, NOTE 1	-	-	-
PRIOR PERIOD RESTATEMENTS, NOTE 11	<u>(809,875)</u>	<u>1,300,000</u>	<u>-</u>
FUND BALANCE, JULY 1, AS RESTATED	<u>7,435,800</u>	<u>6,559,327</u>	<u>1,334,749</u>
FUND BALANCES - JUNE 30	<u>\$ 3,408,380</u>	<u>\$ 3,512,110</u>	<u>\$ 1,378,916</u>

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

- Continued

	<u>Food Service Fund</u>	<u>Student Activity</u>	<u>Special Reserve Funds</u>	<u>Total Governmental Funds</u>
\$	2,801,337	\$ 500,456	\$ 350,486	\$ 23,326,650
	-	-	-	35,628,858
	-	-	-	3,899,964
	-	75,114	193	2,765,987
	<u>2,801,337</u>	<u>575,570</u>	<u>350,679</u>	<u>65,621,459</u>
	-	-	-	25,664,796
	-	-	-	2,968,957
	-	-	-	4,037,475
	-	-	-	11,453,451
	-	-	-	5,396,189
	-	-	-	5,004,809
	-	-	-	5,205,433
	2,743,302	-	-	2,743,302
	-	-	-	244,297
	-	446,709	-	468,393
	-	21,057	-	21,621
	-	-	-	4,424,442
	-	-	-	3,037,444
	-	-	-	1,492,532
	<u>2,743,302</u>	<u>467,766</u>	<u>-</u>	<u>72,163,141</u>
	<u>58,035</u>	<u>107,804</u>	<u>350,679</u>	<u>(6,541,682)</u>
	672,270	-	-	1,372,270
	-	-	(700,000)	(1,372,270)
	<u>672,270</u>	<u>-</u>	<u>(700,000)</u>	<u>-</u>
	<u>730,305</u>	<u>107,804</u>	<u>(349,321)</u>	<u>(6,541,682)</u>
	(26,886)	-	1,427,113	16,239,978
	-	1,109,826	-	1,109,826
	(600,219)	-	-	(110,094)
	<u>(627,105)</u>	<u>1,109,826</u>	<u>1,427,113</u>	<u>17,239,710</u>
\$	<u><u>103,200</u></u>	<u><u>1,217,630</u></u>	<u><u>1,077,792</u></u>	<u><u>10,698,028</u></u>

The notes to the financial statements are an integral part of this statement.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds \$ (6,541,682)

Amount reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are.

Current year capital outlay	5,359,642	
Depreciation expense	<u>(3,004,989)</u>	2,354,653

In the statement of activities, only the loss on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or disposed.

Assets sold	(2,293,996)	
Accumulated depreciation on sold assets	<u>2,151,733</u>	(142,263)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

3,209,362

Governmental funds report the effect of premiums on refunding when debt is first issued, whereas this amount is deferred and amortized in the statement of activities.

73,625

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net decrease in compensated absences	415,232	
Net decrease in retainage payable	325,841	
Net increase in interest payable	<u>(73,591)</u>	667,482

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

Increase in net pension and OPEB liability	(27,738,493)	
Increase in deferred outflows of resources	18,592,188	
Decrease in deferred inflows of resources	<u>279,125</u>	(8,867,180)

Some revenues reported in the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable along with tuition for local education agencies.

(125,677)

Change in net position of governmental activities \$ (9,371,680)

The notes to the financial statements are an integral part of this statement.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The financial statements of the Williston Public School District #1 (“School District”), Williston, North Dakota, have been prepared in conformity with accounting principles general 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.

Reporting Entity

The accompanying financial statements present the activities of the Williston Public School District #1. The School District has considered all potential component units for which the School District is financially accountable and other organizations for which the nature and significance of their relationships with the School District are such that exclusion would cause the School District’s financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization’s governing board and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or imposed financial burdens on the School District.

Based on these criteria, there are no component units to be included within the School District as a reporting entity.

Basis of Presentation

Government-Wide Financial Statements: The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the School District. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements: The fund financial statements provide information about the School District’s funds. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column. All remaining governmental funds are aggregate and reported as non-major funds.

Measurement Focus and Basis of Accounting

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. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental 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 School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

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

Building Fund: This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs for the general obligation school building bonds.

Food Service Fund: The fund is used to account for the proceeds of food service revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

Student Activities Fund: The fund is used to account for various deposits for student activities.

Special Reserve Fund: The fund is used to collect property tax revenue to cover excess expenditures that may occur during the year that the District did not originally budget for.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and certificates of deposit, which have original maturity dates of six months or less.

Inventory

The School District accounts for the inventory of the food service fund which is valued at cost, which approximates market, using the FIFO (first in first out) method. Reported inventories are equally offset by fund balance designation which indicates the inventories do not constitute “available spendable resources.”

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Reported prepaid expenses are equally offset by fund balance designation which indicates the prepaid expenses do not constitute “available spendable resources.”

Capital Assets

Capital assets include property, plant and equipment. Assets are reported in the governmental activities’ column in the government-wide financial statements. Capital assets are defined by the School District 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 the assets life 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:

Land and building improvements	20 to 40 years
Modular leasehold improvements	20 to 40 years
Buildings	20 to 50 years
Vehicles	8 to 15 years
Furniture and equipment	5 to 10 years

Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. The School District allows unused vacation leave to be carried over to a maximum of one year’s vacation time.

Vested or accumulated sick leave is reported in government-wide statement of net position. Sick leave is accumulated at a rate of 10 days per year with no limit. Although employees accrue sick leave on an annual basis, the accrual for sick leave vests only if the employee has at least 12 years of continuous service. The leave will be paid at a rate of 40% of the base pay rate for the employee’s position.

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. 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. See additional information regarding this item in Note 7 and 8 to the financial statements.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has multiple items that qualify for reporting in this category. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports deferred inflows of resources related to pensions and other post-employment benefits. See additional information regarding this item in Note 7 and 8 to the financial statements.

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 deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as assets and amortized over the term of the related debt.

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.

Net Position

For government-wide reporting the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components; net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Williston Public School District #1 will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance and Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the business manager.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Interfund Transactions

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

Program Revenues

In the government-wide statement of activities, reported program revenues derive from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

Charges for services – these arise from charges to customers, applicants, or other who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

Program-specific operating grants and contributions – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

Accounts Payable

Accounts payable consists of amounts owed for goods and services received prior to June 30 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

Salaries and Benefits Payable

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher's salaries as of June 30.

Pensions

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

Other Post-Employment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System ("NDPERS"), and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis 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.

New Accounting Pronouncement

During the year ended June 30, 2021 the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84. *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the student activity funds as a special revenue fund as part of the governmental funds. The student activity funds were not previously reported as governmental funds and as such were not recorded in ending net position of the statement of activities. Beginning net position on the statement of activities and fund balance on the statement of revenues, expenditures and changes in fund balance have been restated to reflect this change.

NOTE 2 – CASH AND CASH EQUIVALENTS

In accordance with North Dakota Statutes, the District 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 another financial institution 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 of 110% of the deposits not covered by insurance or bonds.

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

At year ended June 30, 2021, the District's carrying amount of deposits was \$12,132,276 and the bank balances were \$14,709,616. Of the bank balance, \$1,250,000 was covered by Federal Depository Insurance. The remaining balance of \$13,459,616 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

The District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All investments are certificates of deposit that mature within one year.

Concentration of Credit Risk

The District does not have a policy limiting the amount the District may invest in any one issuer.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Property owners generally choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 4 – INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various school programs. These amounts consist of a mix of state and federal dollars.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	<u>Beginning Balance, Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Land	\$ 3,078,290	\$ -	\$ -	\$ -	\$ 3,078,290
Construction in progress	<u>9,939,410</u>	<u>5,359,642</u>	<u>-</u>	<u>(15,299,052)</u>	<u>-</u>
Total capital assets not being depreciated	<u>13,017,700</u>	<u>5,359,642</u>	<u>-</u>	<u>(15,299,052)</u>	<u>3,078,290</u>
Capital assets, being depreciated					
Buildings	95,934,478	-	503,168	14,871,485	110,302,795
Modular leasehold improvements	4,025,848	-	-	-	4,025,848
Furniture and equipment	5,984,883	-	1,033,066	-	4,951,817
Vehicles	2,248,912	-	757,762	-	1,491,150
Land and building improvements	<u>3,775,837</u>	<u>-</u>	<u>-</u>	<u>427,567</u>	<u>4,203,404</u>
Total capital assets, being depreciated	<u>111,969,958</u>	<u>-</u>	<u>2,293,996</u>	<u>15,299,052</u>	<u>124,975,014</u>
Less accumulated depreciation for					
Buildings	17,953,697	2,118,579	503,168	-	19,569,108
Modular leasehold improvements	840,343	131,199	-	-	971,542
Furniture and equipment	4,373,665	513,160	923,433	-	3,963,392
Vehicles	1,711,421	117,884	725,132	-	1,104,173
Land and building improvements	<u>2,799,740</u>	<u>124,167</u>	<u>-</u>	<u>-</u>	<u>2,923,907</u>
Total accumulated depreciation	<u>27,678,866</u>	<u>3,004,989</u>	<u>2,151,733</u>	<u>-</u>	<u>28,532,122</u>
Total capital assets, being depreciated, net	<u>84,291,092</u>	<u>(3,004,989)</u>	<u>142,263</u>	<u>15,299,052</u>	<u>96,442,892</u>
Governmental activities capital assets, net	<u>\$ 97,308,792</u>	<u>\$ 2,354,653</u>	<u>\$ 142,263</u>	<u>\$ -</u>	<u>\$ 99,521,182</u>

Depreciation expense was charged to functions/programs of the District as follows:

Regular instruction	\$ 1,876,619
Special education	115,484
Vocational education	57,742
District wide services	202,097
Administration	144,355
Operations and maintenance	288,710
Food service	144,355
Student activities	57,742
Vehicles	<u>117,885</u>
	<u>\$ 3,004,989</u>

NOTE 6 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in liabilities reported in the long-term liabilities:

	<u>Beginning Balance, restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation building bonds	\$ 23,260,000	\$ -	\$ 975,000	\$ 22,285,000	\$ 1,095,000
Bond premium	736,819	-	73,626	663,193	73,626
Construction loan	16,133,170	-	968,074	15,165,096	987,533
Certificate of indebtedness	12,865,000	-	970,000	11,895,000	1,005,000
Compensated absences	856,516	-	415,232	441,284	88,257
Special assessment debt	6,558,773	-	296,287	6,262,486	310,947
Net pension liability	49,902,351	27,625,499	-	77,527,850	-
Net OPEB liability	581,380	112,994	-	694,374	-
Total	<u>\$ 110,894,009</u>	<u>\$ 27,738,493</u>	<u>\$ 3,698,219</u>	<u>\$ 134,934,283</u>	<u>\$ 3,560,363</u>

Governmental Activities

The compensated absences liability attributable to the governmental activities will be liquidated by the General Fund. The payments on the bonds will be made by the Debt Service Fund.

Outstanding debt at June 30, 2021 consists of the following issues:

General Obligation Bonds

\$2,690,000 General Obligation School Building Bonds of 2011, due in annual installments of \$40,000 to \$235,000 through October, 2024; interest at 0.75% to 3.10%.	\$ 895,000
\$9,895,000 General Obligation School Building Bond, Series 2014, due in annual installments of \$980,000 to \$1,240,000 beginning on August 1, 2026 through August 1, 2034; interest at 2.5% to 3.5%.	9,895,000
\$4,105,000 General Obligation School Building Bonds, Series 2015A, due in annual installments of \$50,000 to \$890,000 through August 1, 2025; interest at 2% to 3%.	3,255,000
\$3,965,000 General Obligation School Building Bond, Series 2015C, due in annual installments of \$120,000 to \$255,000 through August 1, 2035; interest at 2% to 3%.	3,165,000
\$6,035,000 General Obligation School Building Bonds, Series 2016A, due in annual installments of \$190,000 to \$415,000 through August 1, 2035; interest at 2% to 3%.	<u>5,075,000</u>
Total general obligation bonds	<u>\$ 22,285,000</u>

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

Debt service requirements on the general obligation bonds, including interest, at June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,095,000	\$ 638,158	\$ 1,733,158
2023	1,210,000	607,614	1,817,614
2024	1,345,000	571,115	1,916,115
2025	1,490,000	532,260	2,022,260
2026	1,385,000	494,960	1,879,960
2027-2031	7,885,000	1,852,631	9,737,631
2032-2036	7,875,000	587,171	8,462,171
	<u>\$ 22,285,000</u>	<u>\$ 5,283,909</u>	<u>\$ 27,568,909</u>

Construction Loans

\$20,000,000 Construction Loan of 2015, due in annual installments of \$500,000 to \$770,000 maturing on October 1, 2034; interest at 2%,
\$ 15,165,096

Debt service requirements on the construction loans, including interest, at June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 987,533	\$ 297,939	\$ 1,285,472
2023	1,007,382	278,090	1,285,472
2024	1,027,631	257,841	1,285,472
2025	1,048,286	237,186	1,285,472
2026	1,069,356	216,116	1,285,472
2027-2031	5,677,966	749,392	6,427,358
2032-2036	4,346,942	174,700	4,521,642
	<u>\$ 15,165,096</u>	<u>\$ 2,211,264</u>	<u>\$ 17,376,360</u>

Certificate of Indebtedness

installments of \$970,000 to \$1,365,000 through August 1, 2030; interest at 3% to 4%.
\$ 11,895,000

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

Debt service requirements on the certificate of indebtedness, including interest, at June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,005,000	\$ 379,500	\$ 1,384,500
2023	1,045,000	338,500	1,383,500
2024	1,090,000	295,800	1,385,800
2025	1,135,000	251,300	1,386,300
2026	1,180,000	210,900	1,390,900
2027-2031	<u>6,440,000</u>	<u>494,250</u>	<u>6,934,250</u>
	<u>\$ 11,895,000</u>	<u>\$ 1,970,250</u>	<u>\$ 13,865,250</u>

Special Assessments

Special assessments debt represents special assessment taxes levied by the city of Williston, ND against the school district for the District's share of the benefit derived from city funded improvements.

The special assessment debt is due in varying annual installments through 2037 with interest at 4.75% to 6.00%.

\$ 6,262,486

Debt service requirements on the special assessments, including interest, at June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 310,947	\$ 310,485	\$ 621,432
2023	326,120	295,071	621,191
2024	342,271	278,908	621,179
2025	358,961	261,943	620,904
2026	376,752	244,152	620,904
2027-2031	2,181,939	921,441	3,103,380
2032-2036	2,363,151	346,150	2,709,301
2037-2041	<u>2,345</u>	<u>111</u>	<u>2,456</u>
	<u>\$ 6,262,486</u>	<u>\$ 2,658,261</u>	<u>\$ 8,920,747</u>

NOTE 7 – PENSION PLANS

General Information about the TFFR Pension Plan

North Dakota Teacher's Fund for Retirement ("TFFR")

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2021, the District reported a liability of \$49,157,438 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 July 1, 2020, the District's proportion was 3.21184755 percent, which was an increase of .24935066 from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$6,612,976. At June 30, 2021, 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	\$ 10,137	\$ 1,844,775
Changes of assumptions	2,212,517	-
Net difference between projected and actual earnings on pension plan investments	3,034,559	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,183,825	56,199
Employer contributions subsequent to the measurement date	<u>3,283,187</u>	<u>-</u>
	<u>\$ 13,724,225</u>	<u>\$ 1,900,974</u>

\$3,283,187 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, 2022.

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

Year ended June 30:

2022	\$ 2,329,950
2023	1,732,995
2024	1,702,078
2025	1,390,082
2026	759,085
Thereafter	625,874

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

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

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

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

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

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

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equities	58%	6.9%
Global fixed income	23%	1.3%
Global real assets	18%	5.0%
Cash equivalents	1%	0.0%

Discount Rate

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

Sensitivity of the 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 7.25 percent, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
District's proportionate share of net pension liability	\$ <u>65,475,065</u>	\$ <u>49,157,438</u>	\$ <u>35,596,652</u>

Pension Plan Fiduciary Net Position

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

General Information about the NDPERS Pension Plan

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

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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, 2021, the District reported a liability of \$28,370,412 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of the covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the District’s proportion was 0.901787 percent, which was an increase of 0.125276 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$5,954,295. At June 30, 2021, 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	\$ 110,407	\$ 1,437,555
Changes of assumptions	15,208,332	2,514,313
Net difference between projected and actual earnings on pension plan investments	915,653	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,339,992	23,445
District contributions subsequent to the measurement date	<u>662,138</u>	<u>-</u>
	<u>\$ 19,236,522</u>	<u>\$ 3,975,313</u>

\$662,138 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, 2022.

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

Year Ended June 30:

2022	\$ 4,489,531
2023	3,746,531
2024	3,104,216
2025	3,258,793
2026	-
Thereafter	-

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	30%	6.30%
International equity	21%	6.85%
Private equity	7%	9.75%
Domestic fixed income	23%	1.25%
International fixed income	0%	0.00%
Global real assets	19%	5.01%
Cash equivalents	0%	0.00%

Discount Rate

For NDPERS, 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 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 4.64 percent, 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 (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%)
	<u> </u>	<u> </u>	<u> </u>
District's proportionate share of net pension liability	\$ <u>36,808,480</u>	\$ <u>28,370,412</u>	\$ <u>21,466,017</u>

Pension Plan Fiduciary Net Position

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

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) – NDPERS

General Information about the OPEB Plan

North Dakota Public Employees Retirement System OPEB Plan

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible 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 employees, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2021, the District reported a liability of \$694,374 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 District's proportion of the net OPEB liability was based on the District's share of the covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the District's proportion was 0.825459 percent, which was an increase of 0.101618 percent from its proportion measured as of June 30, 2019.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

For the year ended June 30, 2021, the District recognized OPEB expense of \$122,540. At June 30, 2021, 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	\$ 15,420	\$ 16,648
Changes of assumptions	93,102	-
Net difference between projected and actual earnings on pension plan investments	23,879	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	109,091	6,610
District contributions subsequent to the measurement date	<u>106,016</u>	<u>-</u>
	<u>\$ 347,508</u>	<u>\$ 23,258</u>

\$106,016 reported as deferred outflows of resources related to OPEB 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, 2022.

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

Year Ended June 30:

2022	\$ 44,955
2023	51,127
2024	49,994
2025	43,175
2026	26,397
Thereafter	2,586

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%	6.10%
Small cap domestic equities	6%	7.00%
International equities	40%	1.15%
Core-plus fixed income	21%	6.45%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.5%, 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 (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
District's proportionate share of net pension liability	\$ <u>910,687</u>	\$ <u>694,374</u>	\$ <u>511,453</u>

NOTE 9 – RISK MANAGEMENT

The School District 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, the 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 School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$1,393,321 for public asset coverage.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District 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 two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District 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 School District has worker’s compensation with the Department of Workforce Safety and Insurance. The School District pays part of the health insurance premiums for their employees.

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

NOTE 10 – SUBSEQUENT EVENTS

The District merged with Williams Public School District #8 to form Williston Basin School District #7 on 7/1/2021.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

Net Position Correction

Adjustments were required to accurately reflect beginning net position in the government-wide financial statements. Adjustments to the beginning net position are as follows:

Governmental Activities	
Beginning net position, as previously reported	\$ 18,864,950
Change in accounting principle, Note 1	1,109,826
Adjustment to restate July 1, 2020 net position	
Governmental fund balance	(110,094)
Capital assets, non depreciable	(1,005,133)
Special assessment debt	(6,558,773)
Pension - NDPERS deferred outflows	107,375
Pension - TFFR deferred outflows	193,283
Pension - OPEB deferred outflows	<u>14,157</u>
Net position July 1, as restated	\$ <u><u>12,615,591</u></u>

Fund Balance Correction

Adjustments were necessary to restate the beginning fund balances for the general fund, building fund, and food service fund. Adjustments are as follows:

General Fund

Beginning fund balance, as previously reported	\$ 8,245,675
Adjustment to restate the July 1, 2020 fund balance	
Fund balance intergovernmental receivables adjustment	(897,975)
Fund balance payables adjustment	<u>88,100</u>
Fund balance July 1, as restated	\$ <u><u>7,435,800</u></u>

Building Fund

Beginning fund balance, as previously reported	\$ 5,259,327
Adjustment to restate the July 1, 2020 fund balance	
Fund balance receivables adjustment	<u>1,300,000</u>
Fund balance July 1, as restated	\$ <u><u>6,559,327</u></u>

Food Service Fund

Beginning fund balance, as previously reported	\$ (26,886)
Adjustment to restate the July 1, 2020 fund balance	
Fund balance intergovernmental receivables adjustment	<u>(600,219)</u>
Fund balance July 1, as restated	\$ <u><u>(627,105)</u></u>

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2021

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES			
Local sources	\$ 15,952,043	\$ 15,342,589	\$ (609,454)
State sources	34,606,662	35,628,858	1,022,196
Federal sources	5,093,959	3,899,964	(1,193,995)
Other sources	<u>2,374,000</u>	<u>2,233,291</u>	<u>(140,709)</u>
Total revenues	<u>58,026,664</u>	<u>57,104,702</u>	<u>(921,962)</u>
EXPENDITURES			
Current			
Regular instruction	36,682,609	25,630,531	(11,052,078)
Federal programs	4,717,502	2,968,957	(1,748,545)
Special education	1,037,531	4,037,475	2,999,944
Vocational education	1,023,023	11,453,451	10,430,428
District wide services	4,965,714	5,396,189	430,475
Administration	3,548,291	5,004,809	1,456,518
Operations and maintenance	4,980,218	5,123,806	143,588
Transportation	260,033	244,297	(15,736)
Student activities	1,686,187	21,684	(1,664,503)
Community services	-	564	564
Capital outlay	150,000	88,889	(61,111)
Debt service			
Principal	970,000	970,000	-
Interest	<u>419,000</u>	<u>219,200</u>	<u>(199,800)</u>
Total expenditures	<u>60,440,108</u>	<u>61,159,852</u>	<u>719,744</u>
Excess (deficiency) of revenues over expenditures	(2,413,444)	(4,055,150)	(1,641,706)
Other financing sources			
Transfers in	-	700,000	700,000
Transfers out	<u>-</u>	<u>(672,270)</u>	<u>(672,270)</u>
Net change in fund balance	<u>(2,413,444)</u>	<u>(4,027,420)</u>	<u>(1,613,976)</u>
FUND BALANCE, JULY 1, restated	<u>7,435,800</u>	<u>7,435,800</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 5,022,356</u>	<u>\$ 3,408,380</u>	<u>\$ (1,613,976)</u>

The accompanying required supplementary information notes are an integral part of this statement.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Employer's Share of Net Pension Liability and Employer Contributions For the Year Ended June 30, 2021

Schedule of Employer's Share of Net Pension Liability

Pension Plan	Measurement Date	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
ND TFFR	6/30/2020	3.211848%	\$ 49,157,438	\$ 23,435,588	209.76%	63.4%
ND TFFR	6/30/2019	2.962497%	\$ 40,801,080	\$ 20,782,759	196.32%	65.5%
ND TFFR	6/30/2018	2.832386%	\$ 37,751,687	\$ 19,254,823	196.06%	65.5%
ND TFFR	6/30/2017	2.819433%	\$ 38,725,636	\$ 19,030,364	203.49%	63.2%
ND TFFR	6/30/2016	2.801734%	\$ 41,463,698	\$ 18,388,340	225.49%	59.2%
ND TFFR	6/30/2015	2.673772%	\$ 34,969,066	\$ 16,446,502	212.62%	62.1%
ND TFFR	6/29/2014	2.393571%	\$ 25,080,381	\$ 13,883,985	180.64%	66.6%
ND PERS	6/30/2020	0.901787%	\$ 28,370,412	\$ 9,947,800	288.19%	48.9%
ND PERS	6/30/2019	0.776511%	\$ 9,101,271	\$ 8,077,040	112.68%	71.7%
ND PERS	6/30/2018	0.690201%	\$ 11,647,895	\$ 7,090,552	164.27%	62.8%
ND PERS	6/30/2017	0.690855%	\$ 11,104,307	\$ 7,052,545	157.45%	62.0%
ND PERS	6/30/2016	0.612159%	\$ 5,966,086	\$ 6,169,114	96.71%	70.5%
ND PERS	6/30/2015	0.440092%	\$ 2,992,550	\$ 3,920,682	76.33%	77.2%
ND PERS	6/29/2014	0.413951%	\$ 2,627,435	\$ 3,487,039	75.35%	77.7%

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

Schedule of Employer's Contributions

Pension Plan	Measurement Date	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
ND TFFR	6/30/2020	\$ 2,988,061	\$ (2,988,061)	\$ -	\$ 23,435,588	12.75%
ND TFFR	6/30/2019	\$ 2,649,802	\$ (2,649,802)	\$ -	\$ 20,782,759	12.75%
ND TFFR	6/30/2018	\$ 2,454,990	\$ (2,454,990)	\$ -	\$ 19,254,823	12.75%
ND TFFR	6/30/2017	\$ 2,426,372	\$ (2,426,372)	\$ -	\$ 19,030,364	12.75%
ND TFFR	6/30/2016	\$ 2,344,514	\$ (2,344,514)	\$ -	\$ 18,388,340	12.75%
ND TFFR	6/30/2015	\$ 2,096,828	\$ (2,096,828)	\$ -	\$ 16,446,502	12.75%
ND TFFR	6/30/2014	\$ 1,424,497	\$ (1,424,497)	\$ -	\$ 13,883,985	10.26%
ND PERS	6/30/2020	\$ 704,391	\$ (786,034)	\$ (81,643)	\$ 9,947,800	7.90%
ND PERS	6/30/2019	\$ 588,054	\$ (579,701)	\$ 8,353	\$ 8,077,040	7.18%
ND PERS	6/30/2018	\$ 522,250	\$ (475,899)	\$ 46,351	\$ 7,090,552	6.71%
ND PERS	6/30/2017	\$ 511,395	\$ (502,193)	\$ 9,202	\$ 7,052,545	7.12%
ND PERS	6/30/2016	\$ 446,634	\$ (487,626)	\$ (40,992)	\$ 6,169,114	7.90%
ND PERS	6/30/2015	\$ 297,808	\$ (333,909)	\$ (36,101)	\$ 3,920,682	8.52%
ND PERS	6/30/2014	\$ 248,277	\$ (248,277)	\$ -	\$ 3,487,039	7.12%

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

The accompanying required supplementary information notes are an integral part of this statement.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended June 30, 2021

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion of the Net OPEB Liability</u>	<u>Employer's Proportionate Share of the Net OPEB Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
NDPERS - OPEB	6/30/2020	0.825459%	\$ 694,374	\$ 9,409,987	7.38%	63.38%
NDPERS - OPEB	6/30/2019	0.723841%	\$ 581,380	\$ 8,077,040	7.20%	63.13%
NDPERS - OPEB	6/30/2018	0.648002%	\$ 510,346	\$ 7,090,552	7.20%	61.89%
NDPERS - OPEB	6/30/2017	0.651902%	\$ 515,662	\$ 7,052,545	7.31%	59.78%

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

Schedule of Employer's Contributions

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
NDPERS - OPEB	6/30/2020	\$ 110,548	\$ 122,949	\$ (12,401)	\$ 9,409,987	1.31%
NDPERS - OPEB	6/30/2019	\$ 93,936	\$ 92,805	\$ 1,131	\$ 8,077,040	1.15%
NDPERS - OPEB	6/30/2018	\$ 83,168	\$ 76,155	\$ 7,013	\$ 7,090,552	1.07%
NDPERS - OPEB	6/30/2017	\$ 81,981	\$ 80,295	\$ 1,686	\$ 7,052,545	1.14%

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

The accompanying required supplementary information notes are an integral part of this statement.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Board of Education adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

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

- a) The annual budget must be prepared and School District taxes must be levied on or before the fifteenth day of August of each year.
- b) The taxes levied must be certified to the county auditor by twenty-fifth of August.
- c) The operating budget includes proposed expenditures and means of financing them.
- d) Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- e) The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- f) All appropriations lapse at year-end.

North Dakota Teacher's Fund for Retirement Changes of Assumptions

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

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

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

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

North Dakota Public Employees Retirement System Pension Changes of Assumptions

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2020 (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 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.

North Dakota Public Employees Retirement System OPEB Changes of Assumptions

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 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.

NOTE 2 – OVERSPENT BUDGET

The School District overspent its general fund by \$719,744. No remedial action is anticipated.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

ALN Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the North Dakota Department of Public Instruction:			
10.555	National School Lunch Program - Commodities **	36001	\$ 170,418
10.559	Summer Food Service Program for Children Child Nutrition Cluster	F10559	2,123,574
			<u>\$ 2,293,992</u>
10.560	State Administrative Expenses for Child Nutrition	F10560A	\$ 9,224
10.582	Fresh Fruit and Vegetable Program	F10582	127,161
Total U.S Department of Agriculture			<u>\$ 2,430,377</u>
U.S. DEPARTMENT OF THE TREASURY			
Passed through the North Dakota Department of Public Instruction:			
21.019	COVID-19 - Coronavirus Relief Fund	F21019	\$ 2,120,926
Total U.S Department of the Treasury			<u>\$ 2,120,926</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the North Dakota Department of Public Instruction			
84.010	Title I - Grants to LEA's	F84010	\$ 1,069,845
84.196A	Education for Homeless Children and Youths	F84196A	16,922
84.365A	English Language acquisition State Grants	F84365A	42,676
84.367A	Improving Teacher Quality State Grants	F84367A	263,423
84.371	Striving Readers	F84371C	309,561
84.424A	Student Support and Academic Enrichment Program	F84424A	138,593
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief Fund	F84425D	615,496
Passed through the North Dakota Department of Career and Technical Education			
84.048	Career and Technical Education - Basic Grants to States	N/A	\$ 30,000
Total U.S Department of Education			<u>\$ 2,486,516</u>
Total Amount of Federal Awards			<u><u>\$ 7,037,819</u></u>

** - Noncash Assistance

See notes to the Schedule of Expenditures of Federal Awards

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Williston Public School District No. 1 under programs of the federal government for the year ended June 30, 2021. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Williston Public School District No. 1, it is not intended to and does not present the financial position or changes in net position of the Williston Public School District No. 1. Expenditures represent only the federally funded portions of the program. School District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the *Uniform Guidance*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 NON-CASH AWARDS

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the district during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4 PASS-THROUGH GRANT NUMBER

For Federal Pass-through programs marked "N/A", the Williston Public School District No. 1 was unable to obtain a pass-through grant number.

NOTE 5 INDIRECT COST RATE

Williston Public School District No. 1 has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance.

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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

Williston Public School Board
Williston Public School District No. 1
Williston, North Dakota

We were engaged to audit, 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 each major fund of the Williston Public School District No. 1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Williston Public School District No. 1's basic financial statements, and have issued our report thereon dated February 1, 2023. Our report disclaims an opinion on such financial statements because the School District did not maintain adequate accounting records to provide sufficient information for the preparation of the financial statements.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered Williston Public School District No. 1'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 Williston Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Williston Public School District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of findings and questioned costs* as items 2021-001 through 2021-006, and 2021-008 through 2021-017 that we consider to be material weaknesses.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

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* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Williston Public School District No. 1'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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings and questioned costs* as items 2021-007, 2021-012, and 2021-017.

Williston Public School District No. 1's Response to Findings

Williston Public School District No. 1's response to the findings identified in our audit is described in the accompanying *schedule of audit findings and questioned costs* and *corrective action plan*. Williston Public School District No. 1's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 1, 2023

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Williston Public School Board
Williston Public School District No. 1
Williston, North Dakota

Report on Compliance for Each Major Federal Program

We were engaged to audit Williston Public School District No. 1'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 Williston Public School District No. 1's major federal programs for the year ended June 30, 2021. Williston Public School District No. 1's major federal programs are identified in the summary of auditor's results.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Williston Public School District No. 1'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 Williston Public School District No. 1'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 qualified opinion for the Coronavirus Relief Fund (ALN 21.019) and unmodified opinion for the Child Nutrition Cluster (ALN's 10.555 and 10.559) on compliance. However, our audit does not provide a legal determination of the Williston Public School District No. 1's compliance.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the Williston Public School District No. 1's compliance with major compliance requirements for the Elementary and Secondary School Emergency Relief Fund (ALN 84.425D) and therefore, express no opinion. However, our audit does not provide a legal determination of Williston Public School District No. 1's compliance.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance – Continued

Basis for Qualified Opinion on the Coronavirus Relief Fund

As described in the accompanying *schedule of findings and questioned costs* under item 2021-019, Williston Public School District No. 1 did not establish and maintain effective internal controls over the Federal award for the year ended June 30, 2021. Compliance with such requirements is necessary, in our opinion, for the Williston Public School District No. 1 to comply with the requirements applicable to that program.

Qualified Opinion on the Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Williston Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Coronavirus Relief Fund program for the year ended June 30, 2021.

Basis for Disclaimer of Opinion on the Elementary and Secondary School Emergency Relief Fund

As described in the accompanying *schedule of findings and questioned costs* under items 2021-020 and 2021-021, Williston Public School District No. 1 did not establish and maintain effective internal over the Federal award and was unable to provide detailed financial reports and supporting documentation for the year ended June 30, 2021. Compliance with such requirements is necessary, in our opinion, for the Williston Public School District No. 1 to comply with the requirements applicable to that program.

Disclaimer of Opinion on the Elementary and Secondary School Emergency Relief Fund

Because of the significance of the effects of the noncompliance described in the Basis for Disclaimer of Opinion paragraph, we were unable to obtain sufficient appropriate audit evidence to provide an audit opinion on Williston Public School District No. 1's compliance with material compliance requirements on the Elementary and Secondary School Emergency Relief Fund program. Accordingly, we do not express an opinion on Williston Public School District No. 1's compliance with material compliance requirements.

Unmodified Opinion on the Child Nutrition Cluster

In our opinion, Williston Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying *schedule of findings and questioned costs* as item 2021-018. Our opinion on each major federal program is not modified with respect to this matter.

The Williston Public School District No. 1's response to the noncompliance findings identified in our audit is described in the accompanying *schedule of findings and questioned costs* and *corrective action plan*. The Williston Public School District No. 1's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of Williston Public School District No. 1 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 Williston Public School District No. 1'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 Williston Public School District No. 1's internal control over compliance.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance – Continued

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 compliance requirement 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying *schedule of audit findings and questioned costs* as items 2021-019 through 2021-021 that we consider to be material weaknesses.

Williston Public School District No. 1's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of *audit findings and questioned costs* and *corrective action plan*. Williston Public School District No. 1's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 1, 2023

WILLISTON PUBLIC SCHOOL DISTRICT NO.1

Summary of Auditor's Results
 For the Year Ended June 30, 2021

Financial Statements

Type of Report Issued:
 Governmental Activities
 Major Funds

Disclaimer of Opinion
 Disclaimer of Opinion

Internal control over financial reporting

Material weaknesses identified? X Yes None Noted

Significant deficiencies identified not considered to be material weaknesses? Yes X None Noted

Noncompliance material to financial statements noted? X Yes None Noted

Federal Awards

Internal Control Over Major Programs:

Material weaknesses identified? X Yes None noted

Reportable conditions identified not considered to be material weaknesses? Yes X None noted

Type of Auditor's Report Issued on compliance for major programs:

Child Nutrition Cluster – ALN 10.555, 10.559	Unmodified
Coronavirus Relief Fund – ALN 21.019	Qualified
Elementary and Secondary School Emergency Relief Fund – ALN 84.425D	Disclaimer of Opinion

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements? X Yes None noted

Identification of Major Programs

ALN Number	Name of Federal Program or Cluster
10.555, 10.559	Child Nutrition Cluster
21.019	Coronavirus Relief Fund
84.425D	Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Schedule of Audit Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION I – FINANCIAL STATEMENT FINDINGS

2021-001 BANK RECONCILIATIONS – UNTIMELY AND INACCURATE – MATERIAL WEAKNESS

Condition

Testing of bank reconciliations performed by the Williston Public School District No. 1 identified the following weaknesses:

- Bank reconciliations were not performed for the months of July, August, and September of 2020.
- Bank reconciliations were being completed months after the applicable month.
- Bank reconciliations performed for the months of October 2020 through May 2021 had unreconciled net differences that ranged from \$2.9 million to \$4.9 million.
- Due to the year-end bank reconciliations not balancing, the district made adjustments to their cash accounts that ranged from a negative \$4,011,513 to a positive \$1,897,528 resulting in an overall net change in the amount of \$318,150 which was charged to “school board other expenses” in the general fund as an unsupported adjustment.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the bank reconciliations, management is responsible for the policies and procedures to ensure accurate and timely bank reconciliations.

Cause

Williston Public School District No. 1 may not have been aware of how to correct the bank reconciliation errors. In addition, the district does not currently have a review process over the bank reconciliations.

Effect

There is an increased risk of material misstatement to Williston Public School District No. 1's financial statements whether due to error or fraud if bank reconciliations are not complete and accurate.

Repeat Finding

Yes.

Recommendation

We recommend Williston Public School District No. 1 review its current procedures and ensure that all bank reconciliations are accurately completed on a monthly basis.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-002 ADJUSTING JOURNAL ENTRIES – MATERIAL WEAKNESS

Condition

The Williston Public School District No. 1 recorded an excessive amount of unsupported adjusting journal entries in its general ledger during fiscal year 2021. Testing identified adjusting journal entries totaling approximately \$377 million. The district's software provides a workflow process allowing approval of these entries in the system which provides an electronic record of the approvals. Our review noted that approximately \$133 million of adjusting entries did not have approval. In addition, a majority of the adjusting journal entries did not have support documentation.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to revenue and expenditure recording, management is responsible for adequate internal controls surrounding the adjusting journal entries to ensure proper financial reporting.

Cause

Williston Public School District No. 1 does not have procedures in place to ensure all adjusting entries are adequately supported and approved.

Effect

There is an increased risk of loss of assets, potential liabilities, and damage to Williston Public School District No. 1's reputation, whether due to error or fraud.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 implement procedures to ensure the following:

- The number of adjusting journal entries recorded is minimized.
- All journal entries are supported with appropriate documentation.
- All journal entries are approved according to established policies.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-003 UNSUPPORTED MATERIAL FUND EQUITY ADJUSTMENTS – MATERIAL WEAKNESS

Condition

Williston Public School District No. 1 recorded material fund equity adjustments for the student activities fund totaling \$147,650 into the general ledger. The district did not maintain supporting documentation or obtain approval for these adjustments.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to general ledger adjustments, management is responsible for adequate internal controls surrounding the process to ensure proper financial reporting.

Cause

Williston Public School District No. 1 does not have established policies in place to ensure all adjusting entries are adequately supported and approved.

Effect

There is an increased risk of material misstatement to Williston Public School District No. 1's financial statements whether due to error or fraud.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 implement procedures to ensure all adjusting entries for fund equity are adequately supported and approved according to established policies.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-004 MATERIAL AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

The Williston Public School District No. 1 did not have adequate support documentation for the district’s accounts payable and accounts receivable that were recorded in the trial balance as of June 30, 2021.

In addition, an unrecorded search found additional adjustments to accounts payable and accounts receivable that were not reported as of June 30, 2021. Adjustments were proposed and accepted by Williston Public School District No. 1. The adjustments were as follows:

Account	Client	Audit Adjustments	Total
Accounts Payable	\$1,424,304	\$(1,384,388)	\$39,916
Salaries Payable	\$4,768,504	\$40,644	\$4,809,148
Unearned Revenue	\$(101,775)	\$101,775	\$ -
Intergovernmental Receivables	\$2,816,980	\$370,140	\$3,187,120

Criteria

Williston Public School District No. 1 is responsible for ensuring its annual financial statements, including payables and receivables, are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

Cause

Williston Public School District No. 1's did not have established policies and procedures for recording accounts payable and accounts receivable in its general ledger.

Effect

Williston Public School District No. 1's financial statements would have been materially misstated without the audit adjustments.

Repeat Finding

Yes.

Recommendation

We recommend Williston Public School District No. 1 establish policies and procedures for recording accounts payable and accounts receivable to ensure accurate reporting in its financial statements.

Williston Public School District No. 1’s Response

See Corrective Action Plan

2021-005 CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS

Condition

Williston Public School District No. 1 does not maintain a detailed capital asset listing that would include additions, deletions, depreciation, and construction in progress (CIP).

In addition, the district's financial statements initially included two projects in CIP that management noted were closed prior to June 30, 2021. Adjustments were proposed and accepted by Williston Public School District No. 1. The following projects totaling \$1,005,133 were removed from CIP:

- Hawkeye Elementary
- LP Elementary

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the capital assets, management is responsible for adequate internal controls surrounding the review process and subsidiary ledger reconciliations.

Cause

Williston Public School District No. 1 is not tracking capital asset activities throughout the year in a capital asset listing to ensure all items are accurately reported during the preparation of the financial statements.

Williston Public School District No. 1 does not have established policies and procedures in place to ensure the capital asset listing is accurate and reported in the financial statements.

Effect

Williston Public School District No. 1's financial statements would have been materially misstated without the audit adjustments.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 maintain and establish policies and procedures to ensure a detailed capital asset listing includes all additions, deletions, depreciation, and construction in progress.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-006 MATERIAL DEBT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

Williston Public School District No. 1 did not include in its financial statements as of June 30, 2021, special assessment debt totaling \$6,262,486. The special assessment debt has never been included in the district's financial statements. Adjustments were proposed and accepted by Williston Public School District No. 1.

Criteria

Williston Public School District No. 1 is responsible for ensuring its annual financial statements, including long-term debt (including special assessment debt), are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

Cause

Williston Public School District No. 1 misclassified special assessment debt payments within its building fund and did not keep a schedule of special assessments from the City of Williston.

Effect

Stakeholders that would have relied on the financial statements of Williston Public School District No. 1 may have made decisions based on materially misstated financial statements.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 ensure all long-term debt, which includes special assessment debt, is accurately included in its financial statements.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-007 DEBT COVENANT VIOLATION – MATERIAL NONCOMPLIANCE

Condition

As of June 30, 2021, Williston Public School District No. 1 did not create a separate debt service fund for principal and interest payments related to the State Aid Certificates of Indebtedness, Series 2019.

Criteria

The State Aid Certificates of Indebtedness, Series 2019 debt covenants state: “So long as any of the Certificates are outstanding and unpaid, the Business Manager shall maintain a sinking fund to be designated “State Aid Refunding Certificates of Indebtedness, Series 2019 Fund” as a separate and special bookkeeping account on the official books and records of the district to be used for no purpose other than the payment of the principal of and interest of the Certificates and such other certificates of the district as have been or may be directed to be paid from the Certificate Fund.”

Cause

Williston Public School District No. 1 may not have been aware of the requirements of the debt covenants of the State Aid Certificates of Indebtedness, Series 2019.

Effect

Williston Public School District No. 1 is in violation of the debt covenant of the State Aid Certificates of Indebtedness, Series 2019.

Repeat Finding

Yes.

Recommendation

We recommend Williston Public School District No. 1 review the debt covenants and create a separate debt service fund for principal and interest payments to ensure compliance with the State Aid Certificates of Indebtedness, Series 2019 bond covenants.

Williston Public School District No. 1’s Response

See Corrective Action Plan

2021-008 MISCLASSIFIED EXPENDITURES– MATERIAL WEAKNESS

Condition

Williston Public School District No. 1 misclassified expenditures that were tested totaling \$628,448 which resulted in a 36% error in the sample. This error projected to the population results in a potential error of \$2,920,622. Part of the \$628,448 includes a \$621,458 special assessment principal and interest payment that was improperly coded as district wide services in the building fund. An adjustment for the \$621,458 was proposed and accepted by Williston Public School District No. 1.

Criteria

Williston Public School District No. 1 is responsible for ensuring its annual financial statements, including expenditures, are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

Cause

Williston Public School District No. 1 may have been unaware of how to code various expenditures.

Effect

Williston Public School District No. 1's building fund expenditures would have been misclassified, resulting in materially misstated financial statements without audit adjustments. In addition, Williston Public School District No. 1's expenditures may still be misclassified due to the projected error.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 classify expenditures, including special assessment principal and interest payments, accurately for inclusion into the financial statements.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-009 LACK OF SUPPORTING DOCUMENTATION – MATERIAL WEAKNESS

Condition

Williston Public School District No. 1 did not maintain supporting documentation for 14 out of 65 expenditures tested, totaling \$372,290. Subsequent to discovering the missing invoices, the district was able to contact the vendors and obtain support for all the expenditures except 3 totaling \$3,846. These errors projected to the population result in a total potential error of \$679,058.

In addition, the district did not maintain supporting documentation for the purchases made with the Visa purchasing card used by the district. Total purchases for the audit period were \$1,979.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to supporting documentation, management is responsible for adequate internal controls surrounding the review process and without supporting documentation, the review process will not be effective.

Cause

Williston Public School District No. 1 did not have established policies and procedures for maintaining supporting documentation for expenditures and credit cards purchases.

Effect

Williston Public School District No. 1 may be subject to an increased risk of errors, fraudulent financial reporting, asset misappropriation, and corruption.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 establish policies and procedures to ensure supporting documentation is maintained for all expenditures and credit card purchases.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-010 BOARD APPROVAL FOR EXPENDITURES – MATERIAL WEAKNESS

Condition

Williston Public School District No. 1 was unable to provide evidence of school board approval for 4 out of 55 expenses tested totaling \$513,844. In addition, the district was unable to provide evidence of approval by the school board for all purchase card expenditures totaling \$1,269,795.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to expenditures paid by the school district, management is responsible for adequate internal controls surrounding the approval process.

Cause

Williston Public School District No. 1 does not have an adequate process to ensure all expenditures are approved by the school board.

Effect

Without an adequate approval process of Williston Public School District No. 1 expenditures, the district exposes itself to an increased risk of loss of assets, potential liabilities, and damage to Williston Public School District No. 1's reputation, whether due to error or fraud.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 update, its current board approval process to ensure that all payments are approved by the school board.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-011 UNTIMELY ALLOCATION OF TAX RECEIPTS – MATERIAL WEAKNESS

Condition

Williston Public School District No. 1 did not allocate all tax receipts, from Williams County to the proper funds in a timely manner. During fiscal year 2021, November and December tax receipts totaling \$364,230 were not allocated to the proper funds in the general ledger until January 2021. The tax receipts from March and May totaling \$5,458,358 were not allocated until June 2021.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to revenue recording, management is responsible for adequate internal controls surrounding the revenue recording process to ensure proper financial reporting.

Cause

Williston Public School District No. 1 did not have established policies and procedures in place to ensure county tax receipts were allocated to the proper funds in a timely manner.

Effect

Monthly financial reports provided to the school board, by the business manager, were not accurate. In addition, bank reconciliations may be challenging to prepare when receipts are not recorded timely.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 establish policies and procedures to ensure county tax receipts are allocated to the proper funds in a timely manner.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-012 BUDGET PREPARATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition

Williston Public School District No. 1 did not prepare a budget in compliance with N.D.C.C. §57-15-13. The district did not have supporting documentation for estimates made within the 2020-2021 budget.

Criteria

N.D.C.C. §57-15-13 states “School district taxes must be levied by the governing body of each school district on or before the tenth day of August of each year. The governing body of the school district may increase or decrease its tax levy and budget for the current fiscal year on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations under section 57-15-31.1. Taxes for school district purposes must be based upon an itemized budget statement which must show the complete expenditure program of the district for the current fiscal year and the sources of the revenue from which it is to be financed. The school board of each public school district, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the district and to provide a sinking fund to pay and discharge the principal thereof at maturity.”

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to estimates, management is responsible for adequate internal controls surrounding the use of estimates during the budget process.

Cause

Williston Public School District No. 1 may not have been aware of the requirements of N.D.C.C. §57-15-13. In addition, Williston Public School District No. 1 did not have established policies and procedures for maintaining support documentation for estimates.

Effect

Williston Public School District No. 1 may have improperly calculated the tax levies. In addition, the district may not have been in compliance with N.D.C.C. §57-15-13.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 establish procedures to ensure compliance with all aspects of N.D.C.C. §57-15-13 and maintain appropriate support documentation for estimates within the budget.

Williston Public School District No. 1’s Response

See Corrective Action Plan

2021-013 GASB 40 NOTE DISCLOSURE – MATERIAL WEAKNESS

Condition

The GASB 40 Note Disclosure included in the financial statement compilation report was materially misstated. The following errors were noted:

- The carrying value of the bank balance of cash was understated by a net \$4,610,637.
- The Federal Deposit Insurance Corporation coverage was understated by \$250,000.
- The pledges required amount was understated by \$574,635.

The material auditor-identified adjustment was proposed and accepted by Williston Public School District No. 1.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the financial statement notes, management is responsible for adequate internal controls surrounding the review process.

Cause

Williston Public School District No. 1 did not have established procedures in place to ensure the note disclosures were complete and accurate.

Effect

Williston Public School District No. 1's notes to the financial statements would have been materially misstated without audit adjustment.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 establish procedures to ensure note disclosures are complete and accurate for inclusion into the financial statements.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-014 SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

Williston Public School District No. 1 has one business manager responsible for the primary accounting functions. Turnover in the business manager position also limited the number of individuals available to properly segregate primary accounting functions.

Criteria

Proper internal control according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of the Williston Public School District No. 1.

Cause

Management has chosen to allocate its economic resources to other functions of Williston Public School District No. 1.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Williston Public School District No. 1's financial condition whether due to error of fraud.

Repeat Finding

Yes.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we will recommend the following:

- Expenditures, financial statements, bank reconciliations, credit memos, and payroll registers should be analyzed and reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-015 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS

Condition

Williston Public School District No. 1 did not prepare a fraud risk assessment of the entire entity.

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Cause

Williston Public School District No. 1 may not have considered preparing a fraud risk assessment.

Effect

If Williston Public School District No. 1 does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-016 CONTROL ENVIRONMENT – MATERIAL WEAKNESS

Condition

Williston Public School District No. 1 did not have a sufficient system of internal controls in place related to most areas of the district's operations. Material weaknesses were noted due to the following: inaccurate bank reconciliations, general ledger adjusting entries were excessive and unsupported, inaccurate recording of accounts receivable and accounts payable, not recording all long-term debt, improper coding of expenditures, failure to maintain support documentation, untimely allocation of tax revenue, lack of support for budget estimates, and internal controls related to federal programs were not developed.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines the control environment as a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board and senior management establish the tone at the top regarding the importance of internal control and expected standards of conduct. COSO lists five principles related to the control environment that assist the organization in meeting its objectives:

- The organization demonstrates a commitment to integrity and ethical values.
- The board demonstrates independence from management and exercises oversight of the development and performance of internal control.
- Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
- The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

Cause

Williston Public School District No. 1 may not have been aware of the importance to implement a strong control environment and the potential consequences in the absence of one.

Effect

There is an increased risk of loss of assets, potential liabilities, material misstatement to Williston Public School District No. 1's financial statements, and damage to Williston Public School District No. 1's reputation, whether due to error or fraud.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 implement a strong control environment to help prevent or detect loss of assets, potential fraud, damage to the district's reputation, and material weaknesses from occurring.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-017 BUSINESS MANAGER REPORT – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition

Williston Public School District No. 1 submitted the School District Financial Report for the 2020-2021 school year to the North Dakota Department of Public Instruction that contained revenues, expenditures, and fund balances that did not agree to the underlying financial records.

Criteria

The North Dakota School District Financial Accounting and Reporting Manual, provided by the Department of Public Instruction, states: “The School District Financial Report is the primary source of financial information regarding the revenue and expenditures for K-12 education in North Dakota. It is used for many purposes, including data for inter-district tuition, public information, federal reporting, indirect costs and legislative budget and policy making decisions.”

Cause

Williston Public School District No. 1 has not established procedures to ensure amounts included in the School District Financial Report agree to the financial records such as the trial balance and general ledger.

Effect

Williston Public School District No. 1 financial information may not be accurately reported to the Department of Public Instruction, which could impact its funding.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 establish procedures for preparing the School District Financial Report to ensure it is accurate and agrees to the underlying financial records. Further, we recommend Williston Public School District No. 1 contact the Department of Public Instruction to determine if additional information is required.

Williston Public School District No. 1’s Response

See Corrective Action Plan

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-018 UNTIMELY FILING OF THE DATA COLLECTION FORM – OTHER NONCOMPLIANCE

FINDING TYPE: Other Noncompliance	
Finding	2021-018
Federal Program:	Coronavirus Relief Fund, ESSER, and Child Nutrition Cluster
ALN:	21.019, 84.425D, and 10.555/10.559
Federal Award Number(s) and Year(s):	SLT0013, 2021, S4250200007, 2021, and 213ND309N1199
Federal Agency:	U.S. Department of Treasury and U.S. Department of Education
Questioned Cost:	\$0

Condition

The Williston Public School District No. 1 did not submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

Criteria

Uniform Guidance 2 CFR 200.512(a) states in part: “The audit must be completed and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.”

Cause

Audited financial statements were not complete; therefore, the Data Collection Form could not be filed timely.

Effect

The Williston Public School District is not in compliance with the filing requirement deadline.

Repeat Finding

Yes.

Recommendation

We recommend the Williston Public School District No. 1 comply with the Uniform Guidance 2 CFR 200.512(a) by submitting the Data Collection Form within the allowable time requirements.

Williston Public School District No. 1’s Response

See Corrective Action Plan

2021-019 CORONAVIRUS RELIEF FUND INTERNAL CONTROLS – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

FINDING TYPE: Material Weakness – Material Noncompliance	
Finding	2021-019
Federal Program:	Coronavirus Relief Fund
ALN:	21.019
Federal Award Number(s) and Year(s):	SLT0013, 2021
Federal Agency:	U.S. Department of Treasury
Questioned Cost:	\$0

Condition

Williston Public School District No. 1 did not establish and maintain effective internal control to ensure Coronavirus Relief Fund expenditures charged to the grant were allowable and met the period of performance requirements.

Criteria

"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Uniform Guidance 2 CFR 200.303(a) states "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Cause

Williston Public School District No. 1 may not have been aware of the requirement to document and develop internal controls related to federal programs.

Effect

There is an increased risk that Williston Public School District No. 1 charged unallowable expenditures to the grant and charged expenditures to the grant prior to the period of performance.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 establish and maintain internal controls over Federal awards in compliance with the Uniform Guidance 2 CFR 200.303(a) and the Green Book.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-020 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND INTERNAL CONTROLS – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

FINDING TYPE: Material Weakness – Material Noncompliance	
Finding	2021-020
Federal Program:	Elementary and Secondary School Emergency Relief Fund
ALN:	84.425D
Federal Award Number(s) and Year(s):	S4250200007, 2021
Federal Agency:	U.S. Department of Education
Questioned Cost:	\$0

Condition

Williston Public School District No. 1 did not establish and maintain effective internal control to ensure Elementary and Secondary School Emergency Relief Fund expenditures charged to the grant were allowable.

Criteria

"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Uniform Guidance 2 CFR 200.303(a) states "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Cause

Williston Public School District No. 1 may not have been aware of the requirement to document and develop internal controls related to federal programs.

Effect

There is an increased risk that Williston Public School District No. 1 charged unallowable expenditures to the grant.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 establish and maintain internal controls over Federal awards in compliance with the Uniform Guidance 2 CFR 200.303(a) and the Green Book.

Williston Public School District No. 1's Response

See Corrective Action Plan

2021-021 INADEQUATE SUPPORTING DOCUMENTATION ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

FINDING TYPE: Material Weakness – Material Noncompliance

Finding	2021-021
Federal Program:	Elementary and Secondary School Emergency Relief Fund
ALN:	84.425D
Federal Award Number(s) and Year(s):	S4250200007, 2021
Federal Agency:	U.S. Department of Education
Questioned Cost:	\$316,710

Condition

Williston Public School District No. 1 did not maintain support documentation for payroll expenditures charged to the Elementary and Secondary School Emergency Relief Fund grant program resulting in a total questioned cost of \$316,710.

Criteria

Uniform Guidance 2 CFR 200.403(g) requires costs to be adequately documented.

Uniform Guidance 2 CFR 200.303(a) states “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Cause

Williston Public School District No. 1 may not have been aware of the documentation requirements for costs to be considered allowable under Federal awards and did not have established policies and procedures in place to ensure all costs had supporting documentation.

Effect

Williston Public School District No. 1 may have charged unallowable expenditures to the grant program and may be required to return the federal grant monies back to the U.S. Department of Education.

Repeat Finding

No.

Recommendation

We recommend Williston Public School District No. 1 maintain support documentation for all costs charged to Federal awards in accordance with the Uniform Guidance 2 CFR 200.403(g) and establish internal controls in accordance with the Green Book to ensure costs are adequately documented.

Williston Public School District No. 1's Response

See Corrective Action Plan

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Management's Corrective Action Plan

For the Year Ended June 30, 2021



(701)572-1580 phone
(701)572-3547 fax

Williston Basin School District #7

1201 9th Ave NW
P.O. Box 1407
Williston, ND 58802

www.willistonschools.org

Date: January 31, 2023
To: Joshua C. Gallion, ND State Auditor
FROM: Dr. Faidley, Superintendent
RE: Williston Public School District – FY2021 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Dr. Richard H. Faidley, Superintendent

Section I – Financial Statement Findings:

2021-001 BANK RECONCILIATIONS – UNTIMELY & INACCURATE -- MATERIAL WEAKNESS

Condition:

Testing of bank reconciliations performed by the Williston Public School District No. 1 identified the following weaknesses:

- Bank reconciliations were not performed for the months of July, August, and September of 2020.
- Bank reconciliations were being completed months after the applicable month.
- Bank reconciliations performed for the months of October 2020 through May 2021 had unreconciled net differences that ranged from \$2.9 million to \$4.9 million.
- Due to the year-end bank reconciliations not balancing, the district made adjustments to their cash accounts that ranged from a negative \$4,011,513 to a positive \$1,897,528 resulting in an overall net change in the amount of \$318,150 which was charged to “school board other expenses” in the general fund as an unsupported adjustment.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will implement the following internal controls to rectify the material weaknesses identified in bank reconciliations:

- **Business office staff will perform monthly bank reconciliations and report those to the Superintendent.**
- **The Superintendent will add the bank reconciliation to the Personnel and Finance Committee meeting on a monthly basis for discussion.**
- **The Personnel and Finance Committee will recommend that the School Board approve the bank reconciliation on a monthly basis.**
- **A Finance section will be created on the District website to report a budget analysis on a monthly basis by utilizing Forecast 5 financial reporting to display the budget progress to the community.**

Anticipated Completion Date:

- **Bullets 1-3 will be implemented in December 2022**
- **Bullet 4 will be implemented by May 2023**

2021-002 ADJUSTING JOURNAL ENTRIES -- MATERIAL WEAKNESS

Condition:

The Williston Public School District No. 1 recorded an excessive amount of unsupported adjusting journal entries in its general ledger during fiscal year 2021. Testing identified adjusting journal entries totaling approximately \$377 million. The district's software provides a workflow process allowing approval of these entries in the system which provides an electronic record of the approvals. Our review noted that approximately \$133 million of adjusting entries did not have approval. In addition, a majority of the adjusting journal entries did not have support documentation.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will implement the following procedure to ensure journal entries in the General Ledger receive documented approval:

- All journal entries will be approved by the Superintendent and Business Manager.
- Journal entries will be added to the Personnel and Finance Committee monthly meeting for discussion.
- Journal entries will be included on the Board Agenda for approval.

Anticipated Completion Date:

- December 2022

2021-003 UNSUPPORTED MATERIAL FUND EQUITY ADJUSTMENTS – MATERIAL WAEKNESS

Condition:

Williston Public School District No. 1 recorded material fund equity adjustments for the student activities fund totaling \$147,650 into the general ledger. The district did not maintain supporting documentation or obtain approval for these adjustments

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will ensure that fund equity adjustments for the Student Activities Fund are entered into the general ledger and follow an approval process.

- Fund Equity adjustments will be entered on a monthly basis.
- Fund Equity adjustments will be included on the Personnel and Finance Committee agenda for approval.
- Fund Equity adjustments will be added to the Board agenda for board approval.
- The Business Office will maintain electronic and paper records of supporting documentation which will include Superintendent signature.

Anticipated Completion Date:

- January 2023

2021-004 MATERIAL AUDIT ADJUSTMENTS – MATERIAL WEAKNESS
Condition:

The Williston Public School District No. 1 did not have adequate support documentation for the district's accounts payable and accounts receivable that were recorded in the trial balance as of June 30, 2021. In addition, an unrecorded search found additional accounts payable and accounts receivable that were not reported as of June 30, 2021. Adjustments were proposed and accepted by Williston Public School District No. 1. The adjustments were as follows:

Account	Client	Audit Adjustments	Total
Accounts Payable	\$1,424,304	\$(1,384,388)	\$39,916
Salaries Payable	\$4,768,504	\$40,644	\$4,809,148
Unearned Revenue	\$(101,775)	\$101,775	\$-
Intergovernmental Receivables	\$2,816,980	\$370,140	\$3,187,120

Corrective Action Plan:
Agreed.

The Williston Basin School District #7 will document accounts payable and accounts receivable on a monthly basis.

- An Accounts Payable and Accounts Receivable report will be recorded monthly and reported during the Personnel and Finance Committee meeting.

Anticipated Completion Date:

- January 2023

2021-005 CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS

Condition:

Williston Public School District No. 1 does not maintain a detailed capital asset listing that would include additions, deletions, depreciation, and construction in progress (CIP).

In addition, the district's financial statements initially included two projects in CIP that management noted were closed prior to June 30, 2021. Adjustments were proposed and accepted by Williston Public School District No. 1. The following projects totaling \$1,005,133 were removed from CIP:

- Hawkeye Elementary
- LP Elementary

Corrective Action Plan:
Agreed.

The Williston Basin School District #7 will develop a detailed capital asset listing to include additions, deletions, depreciation and construction in progress (CIP).

- The Technology and Maintenance Department will ensure that a detailed capital asset listing will include additions, deletions, depreciation and construction in progress (CIP).
- The Personnel and Finance Committee will review the report on a monthly basis at the scheduled committee meeting.
- The School Board will approve the Detailed Capital Asset list at the June meeting.

Anticipated Completion Date:

- Bullets 1-2 will be implemented in January 2023
- Bullet number 3 will occur each year during the June Board meeting.

2021-006 MATERIAL DEBT ADJUSTMENTS – MATERIAL WEAKNESS

Condition:

Williston Public School District No. 1 did not include in its financial statements as of June 30, 2021, special assessment debt totaling \$6,262,486. The special assessment debt has never been included in the district's financial statements. Adjustments were proposed and accepted by Williston Public School District No. 1.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will include its financial statements in special assessment debt as well as its financial statements.

- Financial statements will include special assessment debt as part of the yearly financial statements.

Anticipated Completion Date:

- June 2023
-

2021-007 DEBT COVENANT VIOLATION – MATERIAL NON-COMPLIANCE

Condition:

As of June 30, 2021, Williston Public School District No. 1 did not create a separate debt service fund for principal and interest payments related to the State Aid Certificates of Indebtedness, Series 2019.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will separate the debt service fund principal and interest payment for the State Aid Certificates of Indebtedness, Series 2019.

- Internal procedures will ensure the separation of fund principal and interest payments.
- The Personnel and Finance Committee will review the payments at their scheduled committee meetings.
- The Board will approve the Debt Service fund principal and interest payments at a board meeting.

Anticipated Completion Date:

- June 2023
-

2021-008 MISCLASSIFIED EXPENDITURES – MATERIAL WEAKNESS

Condition:

Williston Public School District No. 1 misclassified expenditures that were tested totaling \$628,448 which resulted in a 36% error in the sample. This error projected to the population results in a potential error of \$2,920,622. Part of the \$628,448 includes a \$621,458 special assessment principal and interest payment that was improperly coded as district wide services in the building fund. An adjustment for the \$621,458 was proposed and accepted by Williston Public School District No. 1.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will correctly classify and code expenditure payments.

- Special assessment principal and interest payments will be appropriately classified.
- Business Office staff will receive training on classification and coding of expenditures.

Anticipated Completion Date:

- January 2023
-

2021-009 LACK OF SUPPORTING DOCUMENTATION – MATERIAL WEAKNESS

Condition:

Williston Public School District No. 1 did not maintain supporting documentation for 14 out of 65 expenditures tested, totaling \$372,290. Subsequent to discovering the missing invoices, the district was able to contact the vendors and obtain support for all the expenditures except 3 totaling \$3,846. These errors projected to the population result in a total potential error of \$679,058.

In addition, the district did not maintain supporting documentation for the purchases made with the Visa purchasing card used by the district. Total purchases for the audit period were \$1,979.

Corrective Action Plan:

Agreed.

- The Williston Basin School District #7 will maintain supporting documentation for expenditures.
- The Personnel and Finance Committee will review all expenditures made by the District.

Anticipated Completion Date:

- January 2023
-

2021-010 BOARD APPROVAL FOR EXPENDITURES – MATERIAL WEAKNESS

Condition:

Williston Public School District No. 1 was unable to provide evidence of school board approval for 4 out of 55 expenses tested totaling \$513,844. In addition, the district was unable to provide evidence of approval by the school board for all purchase card expenditures totaling \$1,269,795.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will implement procedures to document all purchase card expenditures.

- The School Board approved an expense management system at the November 14th School Board Meeting to ensure evidence of approval for credit cards.
- Monthly reconciliations of statements will be required.
- The Personnel and Finance Committee will review a report at each monthly committee meeting.

Anticipated Completion Date:

- January 2023

2021-011 UNTIMELY ALLOCATION OF TAX RECEIPTS – MATERIAL WEAKNESS

Condition:

Williston Public School District No. 1 did not allocate all tax receipts, from Williams County to the proper funds in a timely manner. During fiscal year 2021, November and December tax receipts totaling \$364,230 were not allocated to the proper funds in the general ledger until January 2021. The tax receipts from March and May totaling \$5,458,358 were not allocated until June 2021.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will ensure all tax receipts from Williams County are allocated to the proper funds on a monthly basis.

- The Business Office will provide monthly reports to the Superintendent/Business Manager.
- Monthly reports will be added to the Personnel and Finance Committee meeting for review.
- The General Ledger will reflect monthly updated funds reviewed by the Superintendent, Business Manager, Personnel and Finance Committee and School Board.

Anticipated Completion Date:

- January 2023

2021-012 BUDGET PREPARATION – MATERIAL WEAKNESS & MATERIAL NON-COMPLIANCE

Condition:

Williston Public School District No. 1 did not prepare a budget in compliance with N.D.C.C. §57-15-13. The district did not have supporting documentation for estimates made within the 2020-2021 budget.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will have supporting documentation for budget estimates.

- The Personnel and Finance Committee will review a preliminary and final budget to include documentation and estimates for budget development.
- The Superintendent and Business Manager will review N.D.C.C. §57-15-13 to ensure compliance with ND Century Code provisions.

Anticipated Completion Date:

- May 2023

2021-013 GASB 40 NOTE DISCLOSURE – MATERIAL WEAKNESS

Condition:

The GASB 40 Note Disclosure included in the financial statement compilation report was materially misstated. The following errors were noted:

- The carrying value of the bank balance of cash was understated by a net \$4,610,637.
- The Federal Deposit Insurance Corporation coverage was understated by \$250,000.
- The pledges required amount was understated by \$574,635.

The material auditor-identified adjustment was proposed and accepted by Williston Public School District No. 1.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will ensure accuracy of GASB 40 Note Disclosures

- The WBSD7 will provide disclosure of credit risk.
- The WBSD7 will provide custodial credit risk.
- The WBSD7 will provide concentration of credit risk.

- The WBSD7 will provide interest rate risk
- The WBSD7 will provide foreign currency risk for all public entity investments.

Anticipated Completion Date:

January 2023

2021-014 SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

Williston Public School District No. 1 has one business manager responsible for the primary accounting functions. Turnover in the business manager position also limited the number of individuals available to properly segregate primary accounting functions.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will re-organize the business office to ensure proper segregation of accounting functions.

- A Business Office reorganization plan will be submitted to the Personnel and Finance Committee for consideration.
- A Business Office reorganization plan will be presented to the School Board for approval.

Anticipated Completion Date:

- February/March 2023

2021-015 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS

Condition:

Williston Public School District No. 1 did not prepare a fraud risk assessment of the entire entity.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will prepare a fraud risk assessment for the entire District.

- **The WBSD7 will complete a yearly fraud risk assessment.**
- **The fraud risk assessment will be presented to the Personnel and Finance and School Board.**

Anticipated Completion Date:

- **March 2023**

2021-016 CONTROL ENVIRONMENT – MATERIAL WEAKNESS

Condition:

Williston Public School District No. 1 did not have a sufficient system of internal controls in place related to most areas of the district's operations. Material weaknesses were noted due to the following: inaccurate bank reconciliations, general ledger adjusting entries were excessive and unsupported, inaccurate recording of accounts receivable and accounts payable, not recording all long-term debt, improper coding of expenditures, failure to maintain support documentation, untimely allocation of tax revenue, lack of support for budget estimates, and internal controls related to federal programs were not developed.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will establish internal controls for District Operations.

- **The WBSD7 will establish internal controls for accurate bank reconciliations.**
- **The WBSD7 will establish internal controls for general ledger adjusting entries.**
- **The WBSD7 will establish internal controls for the accurate recording of accounts receivable and accounts payable.**
- **The WBSD7 will establish internal controls to record all long-term debt.**
- **The WBSD7 will establish internal controls to properly code expenditures.**
- **The WBSD7 will establish internal controls to maintain support documentation.**
- **The WBSD7 will establish internal controls for timely allocation of tax revenue.**
- **The WBSD7 will establish internal controls to support budget estimates.**
- **The WBSD7 will establish internal controls related to federal programs.**
- **The Personnel and Finance Committee will review the internal control procedures at a scheduled committee meeting.**
- **The School Board will approve the internal control procedures.**

Anticipated Completion Date:

- **February/March 2023**

2021-017 BUSINESS MANAGER REPORT – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

Condition:

Williston Public School District No. 1 submitted the School District Financial Report for the 2020-2021 school year to the North Dakota Department of Public Instruction that contained revenues, expenditures, and fund balances that did not agree to the underlying financial records.

Corrective Action Plan:

Agreed.

The Williston Basin School District will submit the School District Financial Report yearly to the North Dakota Department of Public Instruction that ensures the contained revenues, expenditures and fund balances agree to the financial records.

- The Business Manager will present the School District Financial Report to the Personnel and Finance Committee that match the District's Financial records.

Anticipated Completion Date:

September 15th, 2023

Section II – Federal Awards Findings and Questioned Costs:

2021-018 UNTIMELY FILING OF THE DATA COLLECTION FORM – OTHER NONCOMPLIANCE

FINDING TYPE: Other Noncompliance

Finding	2021-018
Federal Program:	Coronavirus Relief Fund, ESSER, and Child Nutrition Cluster
ALN:	21.019, 84.425D, and 10.555/10.559
Federal Award Number(s) and Year(s):	SLT0013, 2021, S4250200007, 2021, and 213ND309N1199
Federal Agency:	U.S. Department of Treasury and U.S. Department of Education
Questioned Cost:	\$0

Condition:

The Williston Public School District No. 1 did not submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will submit Data Collection Forms to the Federal Clearinghouse prior to the established due date.

- The District will establish internal procedures for report submissions to meet the established due dates.

Anticipated Completion Date:

- January 2023

2021-019 CORONAVIRUS RELIEF FUND INTERNAL CONTROLS – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

FINDING TYPE: Material Weakness – Material Noncompliance

Finding	2021-019
Federal Program:	Coronavirus Relief Fund
ALN:	21.019
Federal Award Number(s) and Year(s):	SLT0013, 2021
Federal Agency:	U.S. Department of Treasury
Questioned Cost:	\$0

Condition:

Williston Public School District No. 1 did not establish and maintain effective internal control to ensure Coronavirus Relief Fund expenditures charged to the grant were allowable and met the period of performance requirements.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will establish and maintain effective internal controls to ensure grant expenditures meet the performance requirements.

- **The District will establish internal controls regarding all grant management activities.**

Anticipated Completion Date:

- **January/February 2023**

2021-020 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND INTERNAL CONTROLS – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

FINDING TYPE: Material Weakness – Material Noncompliance

Finding	2021-020
Federal Program:	Elementary and Secondary School Emergency Relief Fund
ALN:	84.425D
Federal Award Number(s) and Year(s):	S4250200007, 2021
Federal Agency:	U.S. Department of Education
Questioned Cost:	\$0

Condition:

Williston Public School District No. 1 did not establish and maintain effective internal control to ensure Elementary and Secondary School Emergency Relief Fund expenditures charged to the grant were allowable.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will establish internal controls to ensure ESSER II and ESSER III expenditures charged to the grant are allowable.

- **WBSD7 will report expenditures to the Personnel and Finance Committee.**
- **The WBSD7 School Board will approve ESSER II and ESSER III expenditures once expenditure authorization has been received from the Government.**

Anticipated Completion Date

- **June 2023**

2021-021 INADEQUATE SUPPORTING DOCUMENTATION ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE

FINDING TYPE: Material Weakness – Material Noncompliance

Finding	2021-021
Federal Program:	Elementary and Secondary School Emergency Relief Fund
ALN:	84.425D
Federal Award Number(s) and Year(s):	S4250200007, 2021
Federal Agency:	U.S. Department of Education
Questioned Cost:	\$316,710

Condition:

Williston Public School District No. 1 did not maintain support documentation for payroll expenditures charged to the Elementary and Secondary School Emergency Relief Fund grant program resulting in a total questioned cost of \$316,710.

Corrective Action Plan:

Agreed.

The Williston Basin School District #7 will maintain support documentation for payroll expenses charged to the ESSER II and ESSER III Relief Fund.

- **The Personnel and Finance Committee will review and authorize adding the item to the Board Agenda for approval.**
- **The WBSD7 School Board will approve ESSER II and ESSER III payroll expenditures.**

Anticipated Completion Date:

- **January 2023**

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Status of Prior Year Findings
For the Year Ended June 30, 2021



(701)572-1580 phone
(701)572-3547 fax

Williston Basin School District #7

1201 9th Ave NW
P.O. Box 1407
Williston, ND 58802

www.willistonschools.org

Date: September 9th, 2022
To: Joshua C. Gallion, ND State Auditor
FROM: Dr. Richard Faidley, Superintendent
RE: Williston Public School District #1 – FY2021 Schedule of Prior Year Findings

2020-001 SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

The School District has a lack of segregation of duties in certain areas due to a limited number of staff. Cash disbursement process, one employee can enter invoices into the accounting system, initiate the check run, and has access to the signature stamp. Also, no formal review of the printed checks that have the approved signatures included on the listing of original approved invoices.

Recommendation

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

- All invoices should be received and approved by the School Board.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments and signing checks.
- The interim business manager should review and sign off on the check register report to agree with the pre-approved invoice listing report.
- The Superintendent should initial the board report after reviewing it to show his approval of it.
- Monthly income statements and balance sheets should be reviewed and approved by management and the School Board.
- Only one staff member enters manual journal entries and numbers them sequentially and the interim business manager reviews the journal entries.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

Current Status

The 2nd, 4th, and 7th bulleted items were implemented. The remaining items were not implemented.

Effective Sept 12, 2022 the process will be as follows:

Step 1 Assistant Superintendent Lori Olson preapproves invoices and checks.

Step 2 School Board Approves Invoices and Checks every two weeks at board meeting.

Superintendent does give approval for posting now and will initial the board report.

Upon completion of bank reconciliations by Brady Martz for 2021-2022, 2022-2023 monthly income statements and balance sheets will be run for review and approval by management and school board.

Entering manual journal entries will be presented to the board for approval starting in 2022-2023 school year.



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2020-002 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition:

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures, in conformity with generally accepted accounting principles.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate checklist or other guidance to ensure the financial statements contain all necessary disclosures, and we recommend the interim business manager consider attending professional development training on a periodic basis related to government financial reporting.

Current Status

Not Implemented

Upon hiring a new Business Manager, we will be looking at employee duties and assigning duties to overlook financials.

2020-003 MATERIAL AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition:

There were identified misstatements in the School District's financial statements causing material proposed audit adjustments.

Recommendation

We recommend that all general ledger accounts are reconciled in a timely manner and adjustment made for any differences noted.

Current Status

Not Implemented in 2021-2022. Will be implemented in 2022-2023.

2020-004 DEBT COVENANTS – MATERIAL WEAKNESS

Condition:

As of June 30, 2020, the School District did not create a separate debt service account to pay for principal and interest related to the Certificate of Indebtedness, Series 2019. Principal and interest were paid out of the General Fund.

Recommendation

We recommend that the School District set up a separate debt service account to pay for the principal and interest payments and ensure the School District stays in compliance with all of its bond and loan covenants.

Current Status

Not Implemented. Was not corrected in 2021-2022, but will be implemented and corrected in 2022-2023.



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Williston Basin School District #7

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2020-005 RECONCILIATION OF CASH – MATERIAL WEAKNESS

Condition:

The School District's bank reconciliation did not balance to the general ledger cash amounts recorded. The cash per the bank reconciliation was \$437,000 more than the cash per the general ledger. The bank reconciliation has not been provided to, or reviewed by the school board members and the former business manager did not initial or date the reconciliations to show her review.

Recommendation

We recommend that the board members review the bank reconciliations basis to ensure all items are being properly recorded and match what is recorded in the financial statements. This will also allow the board to identify the amount of cash held by the School District. We also recommend that the business manager initial and date the reconciliations to show that she reviewed them.

Current Status

Not Implemented.

In partnership with Brady Martz to reconcile 2021-2022 bank reconciliations. Once completed, 2022-2023 school year will be on a timely basis to provide bank reconciliations to the school board for approval.

2020-006 UNTIMELY FILING OF THE DATA COLLECTION FORM – NONCOMPLIANCE

Condition:

The School District failed to submit its Data Collection Form to the Federal Audit Clearinghouse within nine months of its year-end.

Recommendation

We recommend that the School District follow Federal grant requirements and ensure the audit can be performed early enough to allow the Data Collection Form to be filed within the required time limits.

Current Status

The Data Collection Form to the Federal Audit Clearinghouse for 2019 -2020 was submitted by Widmer Roel. The acceptance was completed by Assistant Superintendent Lori Olson.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

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701-328-2345

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STATE CAPITOL
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GOVERNANCE COMMUNICATION

Williston Public School District No. 1 Board
Williston Public School District No.1
Williston, North Dakota

We were engaged to audit the financial statements of the governmental activities and major fund information of the Williston Public School District No. 1, North Dakota, as of and for the year ended June 30, 2021, which collectively comprise the Williston Public School District No. 1's basic financial statements and have issued our report thereon dated February 1, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated February 10, 2022, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Williston Public School District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance 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, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Williston Public School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Williston Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal programs for the purpose of expressing an opinion on Williston Public School District No. 1's compliance with those requirements over the major federal programs. While our audit provides a reasonable basis for our opinion over compliance for the major federal programs, it does not provide a legal determination on the Williston Public School District No. 1's compliance with those requirements.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Williston Public School District No. 1 are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended June 30, 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
 Governance Communication – Continued

guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below titled “Audit Adjustments” lists all misstatements detected as a result of audit procedures that were corrected by management.

2021 Adjustments	Debit	Credit
Governmental Funds		
General Fund Adjustments		
<u>Adjust Intergovernmental Receivable</u>		
Intergovernmental Receivable	2,859,995.77	
Revenue		2,859,995.77
Revenue	1,207,667.56	
Intergovernmental Receivable		1,207,667.56
<u>Adjust Accounts Payable</u>		
Expenditures	18,487.25	
Accounts Payable		18,487.25
<u>Adjust Transfers</u>		
Interfund Cash	27,729.93	
Transfer Out	672,270.07	
Transfer In		700,000.00
<u>Adjust Due From County</u>		
Due From County	101,199.53	
Revenue		101,199.53
<u>Adjust Cash</u>		
Due From Other Funds	27,729.93	
Intefund Cash		27,729.93

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
 Governance Communication – Continued

2021 Adjustments - Continued

	<u>Debit</u>	<u>Credit</u>
Building Fund Adjustments		
<u>Adjust Taxes Receivable</u>		
Taxes Receivable	1,369,724.73	
Deferred Revenues		1,369,724.73
<u>Adjust Accounts Payable</u>		
Accounts Payable	1,353,722.88	
Expenditures	38,948.00	
Taxes Receivable		1,392,670.88
<u>Adjust Accounts Receivable</u>		
Revenue	1,300,000.00	
Accounts Receivable		1,300,000.00
<u>Reclassify Expenditures for Special Assessment Debt</u>		
Building Fund - Principal	296,286.52	
Building Fund - Interest	325,171.76	
Building Fund - District Wide Services Expenditures		621,458.28
<u>Adjust Due From County</u>		
Due From County	19,933.50	
Revenue		19,933.50
<u>Deferred Revenue Adjustment</u>		
Deferred Revenues	1,353,722.88	
Building Levy		1,300,000.00
Misc. Revenue		53,722.88
Debt Service Fund Adjustments		
<u>Adjust Due From County</u>		
Due From County	21,966.96	
Revenue		21,966.96
Food Service Fund Adjustments		
<u>Adjust Intergovernmental Receivable</u>		
Intergovernmental Receivable	256,924.60	
Revenue		256,924.60
Revenue	40,918.00	
Intergovernmental Receivable		40,918.00
<u>Adjust Salaries Payable</u>		
Expenditures	40,644.09	
Salaries Payable		40,644.09

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
 Governance Communication – Continued

2021 Adjustments - Continued

	<u>Debit</u>	<u>Credit</u>
Food Service Fund Adjustments - Continued		
<u>Adjust Unearned Revenue</u>		
Unearned Revenue	101,775.00	
Revenue		101,775.00
<u>Adjust Transfers</u>		
Transfer In	27,729.93	
Interfund Cash		27,729.93
<u>Adjust Cash</u>		
Interfund Cash	27,729.93	
Due to Other Funds		27,729.93
Special Reserve Fund Adjustments		
<u>Adjust Due From County</u>		
Due From County	3,416.63	
Revenue		3,416.63
Entity Wide Adjustments		
<u>Reclassify Bond Premium to Due outside one year</u>		
Long Term Debt - Due outside one year	73,625.00	
Long Term Debt - Due within one year		73,625.00
<u>Adjust Interest Payable for Special Assessment Debt</u>		
Interest Expense	103,493.23	
Interest Payable		103,493.23
<u>Adjust Retainage Payable</u>		
Retainage Payable	325,841.00	
District Wide Services		325,841.00
<u>Adjust Current Year Payment of Specials</u>		
Special Assessment Debt	296,287.00	
Payment of Principle		296,287.00
<u>Adjust Capital Assets Being Depreciated - Cost</u>		
Buildings	124,617.00	
District Wide Services - Expense	719,932.00	
Furniture and Equipment		844,549.00
<u>Adjust Current Year Depreciation Expense</u>		
Accumulated Depreciation -Buildings	356,159.94	
Depreciation Expense		356,159.94

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1
 Governance Communication – Continued

2021 Adjustments - Continued

	<u>Debit</u>	<u>Credit</u>
Entity Wide Adjustments - Continued		
<u>Adjust Capital Lease Liability</u>		
Capital Lease Due Within One Year	211,896.00	
Capital Lease Due Outside One Year	420,757.00	
District Wide Expenditures		632,653.00
 <u>To Record Compensated Absences</u>		
Expenses	441,283.46	
Compensated Absences, Due Within One Year		88,256.69
Compensated Absences, Due Outside One Year		353,026.77
 <u>Adjustments to Deferred Outflows for Pension</u>		
<u>OPEB</u>		
Deferred Outflows	11,929.43	
Expenses		11,929.43
 <u>TFFR</u>		
Deferred Outflows	329,968.84	
Expenses		329,968.84
 <u>NDPERS</u>		
Deferred Outflows	55,142.67	
Expenses		55,142.67
 Prior Period Adjustments		
<u>Remove CIP projects in Capital Assets</u>		
Net Position - July 1	1,005,132.80	
Capital Assets, Non Depreciable		1,005,132.80
 <u>Due to Missing Special Assessment Debt</u>		
Net Position - July 1	6,558,773.05	
Special Assessment Debt		6,558,773.05
 <u>General Fund</u>		
Accounts Payable	88,100.00	
Fund Balance/Net Position - July 1		88,100.00
Fund Balance/Net Position - July 1	897,975.14	
Intergovernmental Receivable		897,975.14
 <u>Building Fund</u>		
<u>Adjust Accounts Receivable</u>		
Accounts Receivable	1,300,000.00	
Fund Balance/Net Position - July 1		1,300,000.00

2021 Adjustments - Continued

	<u>Debit</u>	<u>Credit</u>
Prior Period Adjustments - Continued		
<u>Food Service Fund</u>		
Fund Balance/Net Position - July 1	600,219.07	
Intergovernmental Receivable		600,219.07
<u>NDPERS</u>		
Expenses	107,374.95	
Net Position - July 1		107,374.95
<u>TFFR</u>		
Expenses	193,283.02	
Net Position - July 1		193,283.02
<u>OPEB</u>		
Expenses	14,157.41	
Net Position - July 1		14,157.41

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 1, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the district's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit other than what is listed below:

The Williston Public School District No. 1 does not maintain adequate accounting records to provide sufficient information for the preparation of the financial statements including the following:

- Bank reconciliations were inaccurate. The district made adjustments to their cash accounts that ranged from a negative \$4,011,513 to a positive \$1,897,528 resulting in an overall net change in the amount of \$318,150 which was charged to "school board other expenses" in the general fund as an unsupported adjustment.
- Manual adjusting journal entries into the general ledger were excessive, unsupported, and lacked approval. Adjusting entries totaled approximately \$377 million for the audit period.
- Fund equity adjustments for the student activity fund totaling approximately \$147,650 were recorded into the general ledger. The district did not maintain supporting documentation or obtain approval by management or the school board, for these adjustments.

WILLISTON PUBLIC SCHOOL DISTRICT NO. 1

Governance Communication – Continued

- Williston Public School District No. 1 did not maintain supporting documentation for 14 out of 65 expenditures tested, totaling \$372,290. These errors projected to the population result in a total potential error of \$679,058.
- Williston Public School District No. 1 misclassified expenditures that were tested totaling \$628,448 which resulted in a 36% error in the sample. This error projected to the population results in a potential error of \$2,920,622.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We do not express an opinion on the financial statements of Williston Public School District No. 1. Because of the significance of the matter described in the Difficulties Encountered in Performing the Audit paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the financial statements.

This information is intended solely for the use of the Board of Education and management of the Williston Public School District No. 1, and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the Williston Public School District No. 1 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the Williston Public School District No. 1.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 1, 2023



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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