NORTH DAKOTA
OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Comprehensive Annual Financial Report State of North Dakota

Governance Communication Including the Report on Internal Control, Compliance, and Other Matters

Audit Report for the Year Ended June 30, 2020

This audit has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10. Client Code 100.

Office of the State Auditor

KEY PERSONNEL

<u>State Auditor's Staff</u>

Dustin Walcker, Audit Manager

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

December 10, 2020

The Honorable Doug Burgum, Governor of North Dakota

Members of the North Dakota Legislative Assembly

Mr. Joe Morrissette, CPA, Director of Office of Management and Budget

I am pleased to submit our report on internal control, compliance, and other matters for the state of North Dakota. This report relates to the audit of the state's basic financial statements for the year ended June 30, 2020. This report on internal control, compliance, and other matters has been completed in accordance with *Generally Accepted Government Auditing Standards*, as issued by the Comptroller General of the United States.

Enclosed you will find our audit finding, governance communication, and posted or passed audit adjustments. These communications are required by auditing standards.

The audit manager for this audit was Dustin Walcker. Inquiries or comments relating to this audit may be directed to Mr. Walcker by calling (701) 328-3161. I would like to express my appreciation to Mr. Morrissette and his staff for the courtesy, cooperation, and assistance they provided to our office during the audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

cc: Legislative Audit and Fiscal Review Committee
Chris Kadrmas, Legislative Council Fiscal Analyst

Executive Summary

Responses to LAFRC Audit Questions

1. *What type of opinion was issued on the financial statements?*

   Unmodified (clean) opinions were given on the state of North Dakota's financial statements.

2. *Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?*

   Yes.

3. *Was internal control adequate and functioning effectively?*

   Yes, except for the material weakness included in this report under "Schedule of Findings, Recommendations, and Responses."

4. *Were there any indications of lack of efficiency in financial operations and management of the agency?*

   No.

5. *Has action been taken on findings and recommendations included in prior audit reports?*

   Yes. Action has been taken on the prior audit finding related to "Lack of Required Note Disclosures."

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

   No.

LAFRC Audit Communications

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

   The most significant change in accounting policies related to the provisions of Government Accounting Standards Board (GASB) GASB 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provided temporary relief to government in light of the COVID-19 pandemic to postpone the effective dates of certain GASB pronouncements.

   There were no management conflicts of interest or significant unusual transactions noted. The state's commitments and contingencies are reported in Note 18 of the Comprehensive Annual Financial Report.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

   Significant accounting estimates are discussed in the Governance Communication as listed in the table of contents of this report.

3. *Identify any significant audit adjustments.*

   Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

   The Posted Audit Adjustments schedule, as listed in the table of contents, lists misstatements detected as a result of audit procedures that were corrected by management.

   The Passed Audit Adjustments schedule, as listed in the table of contents, summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to each opinion unit's financial statements taken as a whole.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to financial accounting, reporting, or auditing matters that could be significant to the financial statements.*

   We did not have any disagreements with management.

5. *Identify any serious difficulties encountered in performing the audit.*

   We did not experience any serious difficulties in performing the audit.

6. *Identify any major issues discussed with management prior to retention.*

   This is not applicable for audits conducted by the Office of the State Auditor.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

   While the Office of Management and Budget does employ consultants to assist in the preparation of the CAFR, we are not aware of any applicable management consultations with other accountants (such as "opinion shopping").

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

   The PeopleSoft ConnectND Finance and Human Resource Management System (HRMS) are the most high-risk information technology systems critical to the operations of the state. There are numerous other high-risk systems which are identified in the individual agency biennial audit reports. The exception identified in the six audit report questions is not directly related to any of these systems.

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Report on Internal Control and Compliance

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

The Honorable Doug Burgum, Governor of North Dakota
Members of the North Dakota Legislative Assembly

We have audited, in accordance with auditing standards general 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of North Dakota as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the state's basic financial statements and have issued our report thereon dated December 10, 2020.

Our report includes a reference to other auditors who audited the following entities, as described in our report on the state of North Dakota's financial statements:

- Addiction Counselor Internship Loan Program
- Bank of North Dakota
- Beginning Farmer Revolving Loan Fund
- Building Authority
- College SAVE
- Community Water Facility Loan Fund
- Comprehensive Health Association of North Dakota
- Covid Pace Recovery Program
- Department of Trust Lands
- North Dakota Development Fund
- Guaranteed Student Loan Program
- Housing Finance Agency
- Housing Incentive Fund
- Infrastructure Revolving Loan Fund
- Innovation Technology Fund
- Job Service North Dakota
- Mandan Remediation Trust
- Medical Facility Infrastructure Loan Program
- PACE and AG PACE Funds
- Public Employees Retirement System
- Public Finance Authority
- Rebuilders Loan Program
- Retirement and Investment Office
- School Construction Assistance Revolving Loan Fund
- Small Employer Loan Fund
- State Fair Association
- State Historical Society of North Dakota Foundation
- Student Loan Trust
- Workforce Safety and Insurance

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the North Dakota University System's foundations, that are reported as discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state of North Dakota'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 state of North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the state of North Dakota'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying *Schedule of Findings, Recommendations, and Responses* as item 2020-01 that we consider to be a material weakness.

Responses to Findings

The Office of Management and Budget's response to the finding identified in our audit is described in the accompanying *Schedule of Findings, Recommendations, and Responses*. This response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Compliance and Other Matters

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

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 state of North Dakota'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 state of North Dakota's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

December 10, 2020

Schedule of Findings, Recommendations, and Responses

Material Weaknesses

We identified the following deficiency in internal control that we consider to be a material weakness.

Finding 2020-01
Untimely Capitalization and Depreciation of Department of Transportation Projects

Condition:
The Department of Transportation did not capitalize and depreciate state oil impact projects that were substantially complete and in use. These projects were still included in construction in progress at June 30, 2020. Considering the Department's fiscal review period for project closeout which determines accurate project costs, the audit identified projects without financial activity since June 30, 2017 and 2018 for calculating capitalizable costs and depreciation, respectively. Total costs for these projects was $332,139,681. These projects should have been reclassified from non-depreciable to depreciable capital assets for reporting on the Government-wide Statement of Net Position and accrued depreciation expense of $3,727,377 during the audit period.

Effect:
Potential for a material misstatement on the Statement of Net Position for Capital Assets, Depreciable (Net) and Nondepreciable. Depreciation expense is not recorded timely to be accrued for each period that the state benefits from use of the capital assets.

Cause:
The Department of Transportation does not capitalize projects until a final fiscal review is completed which may take multiple years. The capitalization of a project may be delayed if there is a backlog of projects for a final fiscal review. A reporting process has not been established for the preparation of the CAFR to identify projects that are substantially complete, but not yet capitalized in the asset management records.

Criteria:
Construction of assets that are substantially complete and available for use on June 30 are not construction in progress. When assets are substantially complete and meet the state's capitalized threshold, the construction in progress status needs to be removed and an asset needs to be added to asset records. This cost to acquire, construct or improve a capital asset is not recognized immediately as expense when occurred, but instead capitalized and allocated over the asset's estimated useful life in the form of depreciation expense. The purpose of recognizing depreciation expense is to allocate a proportionate share of the cost of the capital asset to each period that receives a benefit. No benefit is received until the capital asset is substantially ready to be placed into service.

Standards for internal control require that transactions are promptly recorded to maintain their relevance and value to management in controlling operation and making decisions. Also, management should design control activities so that all transactions are completely and accurately recorded.

References:

Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements for State and Local Governments". Reporting Capital Assets. Paragraphs 18, 19, 21. 1999.

Government Finance Officers Association (GFOA). "Governmental Accounting, Auditing, and Financial Reporting (GAAFR) Blue Book." Capital Assets. 2012.

North Dakota Office of Management and Budget, "GAAP Closing Procedure Manual." General Fixed Assets Closing Package. 2020.

North Dakota Office of Management and Budget. "Fiscal and Administrative Policy." Fixed Asset Policies, appendix A. August 2019.

U.S. Government Accountability Office (GAO), "Standards for Internal Control in the Federal Government." Design of Appropriate Control Activities. (GAO-14-704G para 10.03). September 2014.

Recommendation:
We recommend Office of Management and Budget ensure Department of Transportation infrastructure projects are capitalized and depreciated timely after the project is substantially complete and available for use.

Office of Management and Budget Response/Corrective Action:
OMB agrees with the recommendation. OMB will work with the Department of Transportation to ensure they are capitalizing and depreciating infrastructure projects timely after the project is substantially complete according to current policies.

Significant Deficiencies

We did not identify any deficiencies in internal control that we consider to be a significant deficiency.

Noncompliance and Other Matters

We did not identify instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Governance Communication

December 10, 2020

Legislative Audit and Fiscal Review Committee
North Dakota Legislative Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of North Dakota for the year ended June 30, 2020, and have issued our report thereon dated December 10, 2020. Professional standards require that we provide you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 to the financial statements. The most significant changes in accounting policies related to the adoption of the provisions of Government Accounting Standards Board (GASB) GASB 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provided temporary relief to government in light of the COVID-19 pandemic to postpone the effective dates of certain GASB pronouncements.

Consistent with prior years, the Bank of North Dakota elected to present an unclassified statement of net position because current assets are not matched with current liabilities. Presentation of a classified statement of net position would give the false impression that there is a liquidity problem at the bank. Presentation of a classified statement of net position for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated. Bank related assets and liabilities are reported in the Proprietary Funds Statement of Net Position.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative 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 prepared 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 estimates affecting the financial statements follow.

Management's estimate of the Medicaid liability is based on historical trends and analysis of individual components. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Allowance for loan losses and receivables are based on management's periodic review of their collectability in the light of historical experience, current and anticipated economic conditions, the nature of the receivable, adverse situations that may affect the borrower's ability to repay, and where applicable, the value of any collateral and loan guarantees. Other auditors and we evaluated the key factors and assumptions used to develop the allowance in determining the allowances were reasonable in relation to the financial statements taken as a whole.

Tax refunds payable are based on historical trends and analysis of individual components. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

For the State Investment Board, the valuation of alternative investments, including private equity and real asset investments, is a management estimate which is primarily based upon net asset values reported by the investment managers. Real asset investments comprise 16% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2020. Other auditor's audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these funds. Furthermore, they reviewed management's estimate and found it to be reasonable.

For the Department of Trust Lands the fair value of investments is based on quoted market prices, estimates of fair value from investment managers, cash flow analysis, and yields currently available on comparable securities. Other auditors evaluated the key factors and assumptions used to develop the fair value estimate in determining it is reasonable in relation to the financial statements as a whole.

Also for the Department of Trust Lands, the estimate of unclaimed property liability is based on the historical average payout percentage per subsequent year to determine the current year liability. The historical average is based on a ten-year rolling average percentage of the total unclaimed property amounts collected during a specific fiscal year paid out in subsequent fiscal years. Other auditors evaluated the key factors and assumptions and checked the clerical accuracy of the calculation used to determine the liability and determined that is reasonable in relation to the financial statements as a whole.

For the Housing Finance Agency, the fair value of investments is based on the exchange value of investments between two willing parties. Other auditors evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements as a whole.

Also for the Housing Finance Agency, the fair value of financial derivative instruments is based on the zero-coupon method and the discounted cash flow method. Other auditors evaluated the key factors and assumptions used to develop the fair value of the instruments in determining that it is reasonable in relation to the financial statements as a whole.

Job Service North Dakota estimates the amount of unemployment taxes, penalties, and interest that will be receivable and uncollectible. Management estimates the taxes, penalties, and interest at year-end by determining the amount of collections from July 1, 2020, to August 15, 2020. Other auditor's conclusion is based on the history of collections and subsequent payment of the receivables after year-end.

The actuarial valuations for retirement systems include management estimates that were based on the actuarial assumptions and methods adopted by the Public Employees Retirement System (PERS) Board, including an actuarial expected investment rate of return of 7.50% for the PERS, 7.50% for the Highway Patrolmen's Retirement System (HPRS), 6.50% for the Retiree Health Insurance Credit Fund (RHIC) and 4.25% for the retirement plan for employees of Job Services North Dakota (JSD).

The discount rate used for RHIC and JSD was equal to their respective expected investment rate of return. The Single Discount Rate (SDR) was 4.64% for PERS and 4.09% for HPRS. The SDR is required when assets are not projected to be sufficient to meet future benefit obligations. The SDR reflects (1) the expected investment 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 Standard and Poor's Corp.'s AA credit rating as of the measurement date (2.45%), to the extent that the contributions for use with the long-term expected rate of return are not met.

In accordance with GASB 68, the total pension liability of the PERS, HPRS, and JSD were calculated with an actuarial valuation and measurement date of June 30, 2019. In accordance with GASB 75, the total OPEB liability of the RHIC was calculated with an actuarial valuation and measurement date of June 30, 2019. Other auditors evaluated the key factors and assumptions used to develop the estimate of the total pension and OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

The Teacher's Fund for Retirement's (TFFR) actuarial valuation was based on the actuarial assumptions and methods adopted by the TFFR Board, including an actuarial expected investment rate of return of 7.75% per annum compounded annually. The valuation takes into account all of the promised benefits to which members are entitled as of July 1, 2020, as required by the North Dakota Century Code. The valuation provides certain information required by GASB to be disclosed in the financial statements. Additionally, the valuation is used to determine the adequacy of the current employer contribution rate. Other auditor's audit procedures included reviewing the actuarial valuation and related assumptions used therein and the auditors believe the estimate to be reasonable.

Management's estimate of the net pension liability is based on an actuary's calculation in accordance with the employment contracts. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

For the Bank of North Dakota (BND), the allowance for credit losses is maintained at an amount considered by management to adequately provide for probable losses in the loan portfolio at the statement of net position date. The allowance for credit losses is based on management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. Other auditors have evaluated the key factors and assumptions used to develop the allowance for credit losses in determining that it is reasonable in relation to the financial statements taken as a whole.

The Bank of North Dakota also has a significant estimate in their determination of the net pension liability. The net pension liability is based on an actuary's calculation in accordance with the plan provisions and census data for plan participants. Other auditors evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

One of the Workforce Safety and Insurance's (WSI) most sensitive estimates is the liability for unpaid losses and loss adjustment expenses (LAE). The liability for unpaid losses and LAE is estimated by WSI's actuary, taking into consideration past experience of WSI in paying claims, and the general conditions of the environment in which WSI operates. This liability is based on the estimated ultimate costs to settle both reported and incurred but not reported (IBNR) losses and LAE, and includes the effects of inflation and other societal and economic factors. The actuarial computation also includes a 4.5% discount to report this liability at its estimated present value. Other auditors relied upon a third-party actuary review of the estimate as provided by WSI's actuary to ensure the estimate is reasonable.

WSI's dividend expense and related liability is calculated using the policyholder's prior year premium less any safety discounts awarded. This premium is an estimate based upon the previous year's actual payroll and is subject to change once the current year's actual payroll is known. As that becomes known, and the premiums are adjusted, so too will the dividend liability and expense be adjusted. Other auditors reviewed the assumptions and calculations used in determining the estimate to ensure the estimate is reasonable.

WSI's estimate of the net pension liability and other postemployment benefit liabilities are based on an actuary's calculation in accordance with the employment contracts. Other auditors evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

WSI's estimate of premium related receivables and liabilities, including unearned premiums and premium discounts are based on the overall payroll health of the economy. In the current year the uncertainty driven by the COVID-19 pandemic has created potential for these items and premium receivable to be misstated. Other auditors determined the projection of this misstatement was deemed immaterial and WSI elected to pass on recording the adjustment of $5,000,000. Passed on available evidence and WSI's efforts to evaluate the effect the estimation was determined to appear reasonable and the projected misstatement was not recorded.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected and Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management.

The Posted Audit Adjustments schedule, as listed in the table of contents, lists misstatements detected as a result of audit procedures that were corrected by management.

The Passed Audit Adjustments schedule, as listed in the table of contents, summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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 December 10, 2020.

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" in certain situations. If a consultation involves the application of an accounting principle to the governmental unit'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.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. It should be noted that the retention of the State Auditor is a matter of state law and is not under the control of the Office of Management and Budget.

Other Matters
We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules and related reconciliations and notes, and information about the state of North Dakota's pension plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Legislative Audit and Fiscal Review Committee, the Legislative Assembly, and management of the state of North Dakota and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Dustin Walcker
Audit Manager

Audit Adjustments

Posted Audit Adjustments

1. To record fiscal year-end refunds payable of lottery revenue that was not reported by the Game and Fish Department.

Fund Statement Effect

Opinion Unit: State Special Revenue

Account	Debit	Credit
Game and Fish - Lottery	832,844	
Accounts Payable		832,844

2. To record a correction in reporting of accounts payable for the Department of Human Services.

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Accounts/Vouchers Payable	14,050,797	
Grants to Individuals		14,050,797

Opinion Unit: General

Account	Debit	Credit
Grants to Individuals	14,050,797	
Accounts/Vouchers Payable		14,050,797

3. To record cash received at the end of the fiscal year that was not reported by the Tax Department.

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Cash & Equivalents at BND - Current	16,000,000	
Accounts Receivable - Current		16,000,000

4. To record cash received at the end of the fiscal year that was not reported by the North Dakota Council on the Arts.

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Cash & Equivalents at BND - Current	731,200	
Accounts Receivable - Current		731,200

5. To record cash received at the end of the fiscal year that was not reported by the North Dakota Insurance Department.

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Cash & Equivalents at BND - Current	240,710	
Accounts Receivable - Current		240,710

Fund Statement Effect

Opinion Unit: State Special Revenue

Account	Debit	Credit
Cash & Equivalents at BND - Current	8,040	
Insurance Agents Fees		8,040

6. To record a correction in the amount of accounts receivable reported by the Department of Human Services.

Fund Statement Effect

Opinion Unit: State Special Revenue

Account	Debit	Credit
Accounts Receivable	591,239	
Miscellaneous License/Fees		96
Interest Income		21
Charges for Service/Sales		9,050
Copier Revenue		87
Health		407,355
Lease-Rental of Rooms – Buildings		1,159
Miscellaneous General Revenue		108,390
Salaries Full Time		101
Payroll – Other Deductions		63,020
Elevator Maintenance Contract		897
Outside Doctor & Hospital Service		163
Medical, Dental, and Optical		900

7. To reclassify non-depreciable construction in process to depreciable capital assets for completed infrastructure projects and record depreciation for completed infrastructure projects at the Department of Transportation.

Entity-wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Fund 001		
Infrastructure	134,674,800	
Construction in Process		134,674,800
Fund 200		
Infrastructure	197,464,881	
Construction in Process		197,454,881
Fund 001		
Depreciation Expense	2,690,826	
Infrastructure Accumulated Depreciation		2,690,826
Fund 200		
Depreciation Expense	1,036,551	
Infrastructure Accumulated Depreciation		1,036,551

8. To record correcting entries of the Department of Human Services related to activity prior to June 30, 2020 in accordance with Generally Accepted Accounting Principles (GAAP).

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Revenue from Federal Government	13,690,555	
Intergovernmental Receivables		13,690,555

Passed Audit Adjustments

1. To reduce accounts receivable by an amount that was incorrectly reported by the Council on the Arts originally.

Entity-wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Accounts Receivable	731,200	
Intergovernmental Receivable		731,200

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Accounts Receivable	731,200	
Intergovernmental Receivable		731,200

Office of the State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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