

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**NORTH DAKOTA BOARD OF
PODIATRIC MEDICINE
BISMARCK, NORTH DAKOTA**

(A COMPONENT UNIT OF THE STATE OF NORTH DAKOTA)

**FOR THE YEARS ENDED
DECEMBER 31, 2012, 2011, 2010**



NORTH DAKOTA BOARD OF PODIATRIC MEDICINE
Bismarck, North Dakota

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For the Years Ended December 31, 2012, 2011, and 2010

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NORTH DAKOTA BOARD OF PODIATRIC MEDICINE
Bismarck, North Dakota

LIST OF OFFICIALS

At December 31, 2012

Timothy Uglen, DPM	President
Kevin Koester, DPM	Secretary/Treasurer
Steven Kilwein, DPM	Board Member
Tracy Hjelmstad, DPM	Board Member
R.J. Moen, MD	Board Member
Vicki Kunz	Board Member
Jodee S. Wiedmeier, CP	Executive Secretary

At December 31, 2011

Timothy Uglen, DPM	President
Kevin Koester, DPM	Secretary/Treasurer
Steven Kilwein, DPM	Board Member
Tracy Hjelmstad, DPM	Board Member
R.J. Moen, MD	Board Member
Vicki Kunz	Board Member
Jodee S. Wiedmeier, CP	Executive Secretary

At December 31, 2010

Tyson Williams, DPM	President
Kevin Koester, DPM	Board Member
R.J. Moen, MD	Board Member
Steven Kilwein, DPM	Board Member
Timothy Uglen, DPM	Board Member
Jodee S. Wiedmeier, CP	Executive Secretary

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BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Governing Board
North Dakota Board of Podiatric Medicine
Bismarck, North Dakota

We have audited the accompanying financial statements of the business-type activities of the North Dakota Board of Podiatric Medicine, Bismarck, North Dakota, as of and for the years ended December 31, 2012, 2011, and 2010, which collectively comprise the Podiatry Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North Dakota Board of Podiatric Medicine's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the North Dakota Board of Podiatric Medicine, Bismarck, North Dakota, as of December 31, 2012, 2011, and 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013, on our consideration of the North Dakota Board of Podiatric Medicine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted 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.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

February 25, 2013

NORTH DAKOTA BOARD OF PODIATRIC MEDICINE
Bismarck, North Dakota

STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2012, 2011, and 2010

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>Enterprise Fund</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>ASSETS:</u>			
Cash	<u>\$ 38,422</u>	<u>\$ 42,040</u>	<u>\$ 49,319</u>
Total Assets	<u>\$ 38,422</u>	<u>\$ 42,040</u>	<u>\$ 49,319</u>
<u>LIABILITIES:</u>			
Salaries Payable	<u>\$ 1,006</u>	<u>\$ 1,015</u>	<u>\$ -</u>
Unearned Revenue	<u>12,500</u>	<u>13,000</u>	<u>13,500</u>
Total Liabilities	<u>\$ 13,506</u>	<u>\$ 14,015</u>	<u>\$ 13,500</u>
<u>NET ASSETS:</u>			
Unrestricted	<u>\$ 24,916</u>	<u>\$ 28,025</u>	<u>\$ 35,819</u>
Total Net Assets	<u><u>\$ 24,916</u></u>	<u><u>\$ 28,025</u></u>	<u><u>\$ 35,819</u></u>

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

NORTH DAKOTA BOARD OF PODIATRIC MEDICINE
Bismarck, North Dakota

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - ALL PROPRIETARY FUND TYPES
For the Years Ended December 31, 2012, 2011, and 2010

	BUSINESS-TYPE ACTIVITIES		
	Enterprise Fund		
	2012	2011	2010
<u>Operating Revenues:</u>			
Licenses	\$ 15,731	\$ 16,300	\$ 12,450
<u>Operating Expenses:</u>			
Legal Fees	\$ 4,210	\$ 3,901	\$ 346
Board Member Per Diem	1,379	2,680	-
Insurance	250	250	750
Investigation	226	1,500	-
Office Supplies	165	468	194
Storage Rental	410	467	219
Utilities	77	109	85
Postage	62	126	393
Website	-	241	329
Secretary Wages	11,991	12,015	7,750
Audit Fees	-	2,250	26
Other	70	87	68
Total Operating Expenses	\$ 18,840	\$ 24,094	\$ 10,160
Operating Income	\$ (3,109)	\$ (7,794)	\$ 2,290
Change in Net Assets	\$ (3,109)	\$ (7,794)	\$ 2,290
Total Net Assets - January 1	\$ 28,025	\$ 35,819	\$ 33,529
Total Net Assets - December 31	\$ 24,916	\$ 28,025	\$ 35,819

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

NORTH DAKOTA BOARD OF PODIATRIC MEDICINE
Bismarck, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Years Ended December 31, 2012, 2011, and 2010

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>Enterprise Fund</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$ 15,231	\$ 15,800	\$ 18,950
Cash Payments to Suppliers for Goods and Services	(5,470)	(9,399)	(2,674)
Cash Payments to Employees	(13,379)	(13,680)	(7,750)
Net Cash Provided (Used) by Operating Activities	<u>\$ (3,618)</u>	<u>\$ (7,279)</u>	<u>\$ 8,526</u>
Net Increase in Cash	<u>\$ (3,618)</u>	<u>\$ (7,279)</u>	<u>\$ 8,526</u>
Cash - January 1	<u>\$ 42,040</u>	<u>\$ 49,319</u>	<u>\$ 40,793</u>
Cash - December 31	<u><u>\$ 38,422</u></u>	<u><u>\$ 42,040</u></u>	<u><u>\$ 49,319</u></u>
<u>Reconciliation of Operating income to Net Cash Provided by Operating Activities:</u>			
Operating Income	<u>\$ (3,109)</u>	<u>\$ (7,794)</u>	<u>\$ 2,290</u>
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>			
Change in Assets and Liabilities:			
Increase (Decrease) in Salaries Payable	\$ (9)	\$ 1,015	\$ -
Increase (Decrease) in Unearned Revenues	(500)	(500)	6,500
Increase (Decrease) in Accounts Payable	-	-	(264)
Total Adjustments	<u>\$ (509)</u>	<u>\$ 515</u>	<u>\$ 6,236</u>
Net Cash Provided by Operating Activities	<u><u>\$ (3,618)</u></u>	<u><u>\$ (7,279)</u></u>	<u><u>\$ 8,526</u></u>

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

NORTH DAKOTA BOARD OF PODIATRIC MEDICINE
Bismarck, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012, 2011, and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Dakota Board of Podiatric Medicine, a component unit of the State of North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the North Dakota Board of Podiatric Medicine as a reporting entity and the North Dakota Board of Podiatric Medicine is a component unit of the State of North Dakota.

B. Basis of Presentation

Governments engaged only in a single business-type activity should present only the financial statements required for enterprise funds.

The one major individual enterprise fund is reported as a separate column in the fund financial statements.

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

Proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Board reports the following major proprietary fund:

Operating Fund. This fund accounts for the operation of the North Dakota Board of Podiatric Medicine.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

NORTH DAKOTA BOARD OF PODIATRIC MEDICINE
Notes to the Financial Statements - Continued

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board enterprise fund are licenses, permits and registration fees. Operating expenses for enterprise fund includes administrative expenses. The entity only reports operating revenues and operating expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. The entity only reports unrestricted resources and equity.

D. Budgets

Budgets were not adopted for the North Dakota Board of Podiatric Medicine.

NOTE 2: CASH

At year ended December 31, 2012, the North Dakota Board of Podiatric Medicine carrying amount of deposits was \$37,415 and the bank balances totaled \$39,785. All deposits were deposited with the Bank of North Dakota, and all \$39,785 were backed by the full faith and credit of the state of North Dakota.

At year ended December 31, 2011, the North Dakota Board of Podiatric Medicine carrying amount of deposits was \$41,025 and the bank balances totaled \$42,040. All deposits were deposited with the Bank of North Dakota, and all \$42,040 were backed by the full faith and credit of the state of North Dakota.

At year ended December 31, 2010, the North Dakota Board of Podiatric Medicine carrying amount of deposits was \$50,319 and the bank balances totaled \$50,338. All deposits were deposited with the Bank of North Dakota, and all \$50,338 were backed by the full faith and credit of the state of North Dakota.

NOTE 3: SALARIES PAYABLE

Salaries payable consists of a liability account reflecting amounts for the amount owed to the secretary for salary at December 31, 2012 and 2011.

NOTE 4: UNEARNED REVENUES

Deferred revenue on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

Unearned income on the financial statements consists of prepaid license fees.

NOTE 5: RISK MANAGEMENT

The North Dakota Board of Podiatric Medicine 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.

The State of North Dakota has established as Risk Management Fund. The North Dakota Board of Podiatric Medicine is covered by the fund for its general liability.

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

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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*

Podiatry Board
North Dakota Board of Podiatric Medicine
Bismarck, North Dakota

We have audited the financial statements of the business-type activities of the North Dakota Board of Podiatric Medicine, Bismarck, North Dakota, as of and for the years ended December 31, 2012, 2011 and 2010, which collectively comprise the Podiatry Board's basic financial statements and have issued our report thereon dated February 25, 2013. 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.

Internal Control Over Financial Reporting

Management of the North Dakota Board of Podiatric Medicine is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the North Dakota Board of Podiatric Medicine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Dakota Board of Podiatric Medicine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Dakota Board of Podiatric Medicine's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs as item 2012-01* to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota Board of Podiatric Medicine'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*.

North Dakota Board of Podiatric Medicine's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. We did not audit the North Dakota Board of Podiatric Medicine's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the podiatry board, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

February 25, 2013

NORTH DAKOTA BOARD OF PODIATRIC MEDICINE
Bismarck, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended December 31, 2012, 2011, and 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued:

Business-Type Activities

Unqualified

Major Business-Type Fund

Unqualified

Internal Control over financial reporting:

Material weaknesses identified?

X Yes

No

Reportable conditions identified not considered to be material weaknesses?

Yes

X None reported

Noncompliance material to financial statements noted?

Yes

X No

Section II - Financial Statement Findings

2012-01 - SEGREGATION OF DUTIES

Condition:

The North Dakota Board of Podiatric Medicine has one Secretary / Treasurer or Executive Secretary responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

Effect:

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the North Dakota Board of Podiatric Medicine's financial condition, whether due to error or fraud.

Cause:

Due to the client's size, complexity, organizational structure and the economic realities the North Dakota Board of Podiatric Medicine faces, it is presently not economically feasible to have more than one person responsible for the accounting functions.

Criteria:

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the North Board of Podiatric Medicine

Recommendation:

We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the greatest extent possible to reduce the potential risk of loss.

Client Response:

We agree with the recommendation. Segregation of duties of this board is not possible at this time due to the size and economic status of the board. However, in the future if it becomes feasible for this board to provide more segregation of duties, it will do so.