



Financial Statements
June 30, 2017

North Dakota Board of Nursing

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Independent Auditor's Report

The Board of Directors
North Dakota Board of Nursing
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of each major enterprise fund of North Dakota Board of Nursing, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major enterprise fund of the North Dakota Board of Nursing as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The listing of Board Members and Staff and the budgetary comparison information shown on pages 27 through 29 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

The Board Member and Staff listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The Board Member and Staff listing is provided solely for informational purposes.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 5, 2018 on our consideration of North Dakota Board of Nursing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering North Dakota Board of Nursing's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sallie LLP".

Bismarck, North Dakota
January 5, 2018

As management of the North Dakota Board of Nursing (Board), we offer readers of the Board's financial statement this narrative and analysis of the financial activities of the Board for the fiscal year ending June 30, 2017. The analysis focuses on significant financial position, budget changes and variances from budget, and specific issues related to funds and the economic factors affecting the Board.

The first Nurse Practices Act was passed by the North Dakota Legislature in 1915. At that time the Board was founded and is charged with regulating the practice of nursing. The Board consists of nine appointed members. The records indicate the Board has employed an Executive Director since 1939. Currently, the Board employs eight staff including the Executive Director who are responsible for conducting daily operations of the Board.

The Board currently licenses 15,580 registered nurses, 3,959 licensed practical nurses, 1,639 advanced practice nurses, and of those 973 have prescriptive authority.

The Board acts in a responsible manner to meet the needs of its customers, licensees, and the public in general. The Board is the guardian of the public's interests and carries out this responsibility by using a common sense approach to governance, by adhering to legal and ethical standards and considers costs both human and financial in its decision making processes. The Board regularly assesses its regulatory function, modifies or streamlines its regulations and maintains the concept of providing the best overall benefit with the least amount of intrusiveness.

The Board functions using a Policy Governance Model. The model is based on the four philosophical concepts of accountability, servant-leader, clarity of group values, and empowerment.

Some characteristics of this model include:

- Use of a strategic plan,
- Have a regular retreat,
- Give accurate and clear information to Board members about roles and responsibilities,
- Focus on outcomes,
- Have regular communication with Executive Director and
- Have a high degree of trust among Board members and Executive Director.

Major activities of the Board include:

- Licensure and regulation of the practice of over 19,000 nurses and 900 Unlicensed Assistive Persons.
- Monitor nursing education programs for compliance with the law and rules.
- Collaboration and consultation with appropriate nursing and health care organizations and other affected parties in the establishment of standards for nursing practice.
- Collection and analysis of data regarding nursing education, nursing practice, and nursing resources.

Financial Highlights

- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$58,785.
- The Board's total net position decreased by \$94,964.
- As of the close of the current fiscal year, the Board's net position balance for the general fund was (\$103,088).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Board. The basic financial statements of the Board are comprised of two components: 1) financial statements and 2) notes to the financial statements.

Financial statements - The financial statements are designed to provide readers with a broad overview of the Board's financial activity and status, in a manner similar to private-sector business.

The balance sheet presents information on all of the Board's assets, deferred outflows of resources and liabilities, deferred inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The statement of activities presents information on all of the Board's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., unearned revenue for renewal income and earned but unused vacation and sick leave).

The financial statements can be found on pages 6-13 of this report.

Enterprise Funds

The Board maintains two individual enterprise funds: 1) general operating fund and 2) nursing education loan fund. The general fund is maintained through licensure fees. Ten dollars of each licensure renewal fee is allocated to the nursing education loan fund.

The Board is funded through the fees collected in accordance with NDCC 54-44-12 - Deposit and disbursement of funds of occupational and professional boards - Appropriation.

Notes to the Financial Statements - The notes provide additional information that is essential to full understanding of the data provided in the financial statements. They are an integral part of the financial statement presentation.

The notes to the financial statements can be found on pages 14-25 of this report.

Supplementary Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, which can be found on pages 26-30.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which can be found on page 26.

Government-wide Financial Analysis - As noted previously, net position may serve over time as a useful indicator of a government's financial position. For the Board, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58,785 at the close of the most recent fiscal year.

Condensed Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u> (Memorandum only)
Assets		
Current Assets	\$ 1,180,008	\$ 1,191,628
Noncurrent Assets	<u>103,274</u>	<u>108,085</u>
Total Assets	1,283,282	1,299,713
Deferred Outflows of Resources	<u>395,110</u>	<u>121,680</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 1,678,392</u></u>	<u><u>\$ 1,421,393</u></u>
Liabilities		
Current Liabilities	\$ 787,927	\$ 775,102
Noncurrent Liabilities	<u>797,222</u>	<u>463,560</u>
Total Liabilities	1,585,149	1,238,662
Deferred Inflows of Resources	<u>34,458</u>	<u>28,982</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>1,619,607</u></u>	<u><u>1,267,644</u></u>
Fund Net Position		
Net Investment in Capital Assets	25,679	37,462
Unrestricted	<u>33,106</u>	<u>116,287</u>
Total Net Position	<u><u>58,785</u></u>	<u><u>153,749</u></u>
Total Liabilities and Net Position	<u><u>\$ 1,678,392</u></u>	<u><u>\$ 1,421,393</u></u>

The largest portion of the Board's net position reflects the business-type activity of the collection of biennial renewal fees. The Board collects licensure renewal fees from approximately half of the estimated 19,000 licensee's from October through December of each year. The licenses issued are valid for the following two calendar years. Revenue is recognized when earned. Unearned revenue represents 25% of revenue collected during the calendar year preceding the report date and 75% of revenue collected during the current calendar year.

Statement of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017 Total	2016 Total (Memorandum only)
Operating Revenues		
Professional fees	\$ 1,109,053	\$ 1,084,809
Grant Funding	-	-
Center for nursing	241,472	268,830
NEL income	76,470	80,370
NNAAP testing	35,100	38,391
Total operating revenues	<u>1,462,095</u>	<u>1,472,400</u>
Operating Expenses		
Employee compensation and benefits	848,195	765,526
Board expenses	27,560	47,942
Rent expense	35,520	35,520
Professional fees	76,895	73,562
Printing and postage expense	10,246	11,794
Office expenses	16,998	17,608
Repairs and maintenance	9,396	9,500
Miscellaneous expense	31,575	31,277
Depreciation expense	13,684	28,243
NNAAP testing	104,026	97,180
NEL transfer	76,470	80,370
Center for nursing	241,472	268,830
Employment credit expense	67,361	87,251
Total operating expenses	<u>1,559,398</u>	<u>1,554,603</u>
Operating Gain/(Loss)	<u>(97,303)</u>	<u>(82,203)</u>
Nonoperating Revenue		
Interest income	2,339	2,201
Loss on sale of fixed asset	-	(21)
Total nonoperating revenue	<u>2,339</u>	<u>2,180</u>
Change in Net Position	(94,964)	(80,023)
Net Position, Beginning of Year	<u>153,749</u>	<u>233,772</u>
Net Position, End of Year	<u>\$ 58,785</u>	<u>\$ 153,749</u>

Business-type Activity - Business-type activities decreased the Board's net position by \$94,964.

The major fund of the Board is the general operating fund, which is funded through licensure and registration fees. At the end of the current fiscal year, the net position balance of the general fund was (\$103,088). A major factor in the decrease in net position relates to the adjustment for the Employer Share of Net Pension Liability from NDPERS. The Board's share increased from 0.036936% for year end 2015 to 0.059988% for year-end 2016. This increase is due to a change in the number of employees participating in the NDPERS Defined Benefit Plan versus the NDPERS Defined Contribution Plan. The Defined Contribution Plan is not included in the Net Pension Liability calculations. It is anticipated that the current level of participation in the NDPERS Defined Benefit plan will remain consistent which will allow the adjustments for Net Pension Liability to stabilize.

During fiscal year 2016-2017, the board saw a continued increase in discipline cases in which attorney involvement was required. The board researched different options to address the increased costs and workload and has developed and implemented a streamlined compliance review process.

The Nursing Education Loan Program is funded with a portion of the licensure renewal fees. For over 30 years, the NEL Program has been a viable resource for potential nursing students and nurses wishing to further their education. The loan disbursement for the past five years totals over \$449,688. The nursing education loan may be repaid by nursing employment in North Dakota. The repayment rate is one dollar per hour of employment. The Board requires verification of actual hours worked for employment credit from the employer.

As a vendor for the North Dakota Department of Health, the Board continues to offer the NNAAP test. This test is for certification of individuals preparing to work as Certified Nurse Assistants. The test is offered throughout the state at various sites.

The ND Center for Nursing was created in 2011 to facilitate ongoing research and development related to nursing workforce and provide for research, education, recruitment, retention, advocacy, and public policy through governing board and strategic planning leadership teams. The mission of the CFN is to provide a centralized coordinating organization for ND's nursing community and stakeholders. In 2012, the Board increased the RN and LPN renewal fee and licensure by endorsement fee by \$30.00 which was allocated to fund the initiation and development of the CFN. The Board sustained the allocation of \$30 per RN and LPN renewal and licensure by endorsement fees to the CFN from 2012-2016 and adjusted the allocation to \$28 for FY 2016-2017. The Board's funding stream to the CFN has been an effective mechanism in the initiation and advancement of the work of the CFN. As the CFN continues to grow in ND, other funding sources outside of the Board are being secured for sustainability of the center.

Capital Asset and Debt Administration

Capital Assets - The Board's net investment in capital assets for its business type activities as of June 30, 2017 amounts to \$25,679 (net accumulated depreciation). This net investment in capital assets includes office equipment, furniture, and technology required to maintain the functions of the Board. Additional information on the Board's capital assets can be found in Note 5 Fixed Assets on page 15 of this report.

Long-Term Debt - At the end of the current fiscal year, the Board had total long-term debt of \$615,595. Of this amount, \$30,953 is comprised of compensated absences. The remaining amount of \$584,642 is from the net pension liability resulting from the implementation of the new GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires governmental agencies to report their proportionate share of pension expense and liabilities. Additional information on the Board's long-term debt can be found in Note 6 on page 19 of this report.

Factors Affecting Future Needs

Current and future needs impacting the Board financially include the following efforts related to personnel, technology, software, and space requirements:

- Update of current online forms to comply with security issues & eNLC.
- Development of on-line APRN initial licensure application and licensure reactivation.
- Transition to Optimal Regulatory Board System (ORBS) database.
- Monitor of ongoing technology needs (hardware, software, etc).
- Update of technology in board room to facilitate meetings and videoconferencing.
- Enhancements of office security policies and systems.
- Expansion of office space.
- Succession planning.
- Use of contract or addition of FTE to address compliance workload.
- Development and delivery of regulatory educational presentations (webinar and in person).

During FY 2016-2017, the Board experienced an increase in workload within the Compliance Division due to increase in volume and complexity of submitted PVRs/complaints. The Board is currently working to review and revise processes and adjust fee schedules to sustain the work of the Compliance Division. Future needs discussed include use of consultants to assist with investigations and consideration of additional FTE to maintain the Boards current level of efficiency in compliance work.

During the 65th Legislative Assembly, the Board introduced HB 1096 Advanced Practice Registered Nurse Licensure Compact and HB 1097 Enhanced Nurse Licensure Compact (eNLC). Both bills successfully passed and were signed by the governor in the spring of 2017. The Board office is currently working with the Nurse Licensure Compact to ensure a seamless transition operationally from the current NLC to the eNCL which goes live January 19, 2018. This transition requires technology and software updates, as well as staff training.

The Board is currently working on succession planning to address the upcoming retirements of long time staff including re-evaluation of position descriptions and FTEs to address evolving Board needs.

As of June 30, 2017, the Board budget for the next fiscal year was adequate to cover projected costs at the current level. Through continuous evaluation and planning, the Board has maintained current personnel despite the increased workload while striving to maintain a high level of customer service. With the upgrades in technology, software, and physical space the Board will continue to meet the needs of the licensees and stakeholders of North Dakota, while also accomplishing its mission of public protection.

A request for information - This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report should be addressed to the Executive Director, ND Board of Nursing, 919 S 7th Street, Suite 504, Bismarck, ND 58504.

	General	Nursing Education Loan Fund	2017 Total
Assets			
Current Assets			
Cash	\$ 291,922	\$ 87,490	\$ 379,412
Certificates of Deposit	722,205	-	722,205
Notes receivable - current portion	-	77,596	77,596
Accounts receivable	<u>725</u>	<u>70</u>	<u>795</u>
Total current assets	<u>1,014,852</u>	<u>165,156</u>	<u>1,180,008</u>
Noncurrent Assets			
Furniture and equipment, net of accumulated depreciation	25,679	-	25,679
Notes receivable, net	<u>-</u>	<u>77,595</u>	<u>77,595</u>
Total noncurrent assets	<u>25,679</u>	<u>77,595</u>	<u>103,274</u>
Deferred Outflows of Resources			
Pension plans	<u>395,110</u>	<u>-</u>	<u>395,110</u>
Total assets and deferred outflows of resources	<u>\$ 1,435,641</u>	<u>\$ 242,751</u>	<u>\$ 1,678,392</u>

See Notes to Financial Statements

North Dakota Board of Nursing
Balance Sheet – Enterprise Funds
June 30, 2017

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2017 Total</u>
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ 23,059	\$ -	\$ 23,059
Accrued liabilities	14,355	-	14,355
Current portion of compensated absences payable	45,000	-	45,000
Unearned revenue	647,480	58,033	705,513
Total current liabilities	<u>729,894</u>	<u>58,033</u>	<u>787,927</u>
Noncurrent Liabilities			
Unearned revenue	158,782	22,845	181,627
Net pension liability	584,642	-	584,642
Compensated absences payable	30,953	-	30,953
Total noncurrent liabilities	<u>774,377</u>	<u>22,845</u>	<u>797,222</u>
Total liabilities	<u>1,504,271</u>	<u>80,878</u>	<u>1,585,149</u>
Deferred Inflows of Resources			
Pension plans	34,458	-	34,458
Total liabilities and deferred inflows of resources	<u>1,538,729</u>	<u>80,878</u>	<u>1,619,607</u>
Net Position			
Net investment in capital assets	25,679	-	25,679
Unrestricted	(128,767)	161,873	33,106
Total net position	<u>(103,088)</u>	<u>161,873</u>	<u>58,785</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,435,641</u>	<u>\$ 242,751</u>	<u>\$ 1,678,392</u>

North Dakota Board of Nursing
Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Funds
Year Ended June 30, 2017

	2017 Total	2016 Total (Memorandum only)
Operating Revenues		
Professional fees	\$ 1,109,053	\$ 1,084,809
Grant Funding	-	-
Center for nursing	241,472	268,830
NEL income	76,470	80,370
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Total operating expenses	<u>1,559,398</u>	<u>1,554,603</u>
Operating Gain/(Loss)	<u>(97,303)</u>	<u>(82,203)</u>
Nonoperating Revenue		
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Net Position, End of Year	<u><u>\$ 58,785</u></u>	<u><u>\$ 153,749</u></u>

North Dakota Board of Nursing
Statement of Cash Flows
Year Ended June 30, 2017

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2017 Total</u>
Cash Flows from Operating Activities			
Receipts of professional fees	\$ 1,039,601	\$ 76,520	\$1,116,121
Receipts of NNAAP testing fees	35,580	-	35,580
Receipts of Center of nursing fees	241,472	-	241,472
Payment to center of nursing	(241,472)	-	(241,472)
Payments to suppliers	(315,661)	-	(315,661)
Payments to employees	(773,646)	-	(773,646)
	<u>(14,126)</u>	<u>76,520</u>	<u>62,394</u>
Net Cash Provided by (used for) Operating Activities			
Cash Flows from Capital and Related Financing Activities			
Purchase of property and equipment	(1,901)	-	(1,901)
Cash Flows from Investing Activities			
Issuance of notes receivable	-	(87,446)	(87,446)
Payment received on note receivable	-	6,141	6,141
Interest received	1,637	702	2,339
Purchase of certificates of deposit	(1,415)	-	(1,415)
	<u>222</u>	<u>(80,603)</u>	<u>(80,381)</u>
Net Cash Provided by (used for) Investing Activities			
Net Change in Cash and Cash Equivalents	(15,805)	(4,083)	(19,888)
Cash and Cash Equivalents, Beginning of Year	<u>307,727</u>	<u>91,573</u>	<u>399,300</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 291,922</u></u>	<u><u>\$ 87,490</u></u>	<u><u>\$ 379,412</u></u>

North Dakota Board of Nursing
Statement of Cash Flows
Year Ended June 30, 2017

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2017 Total</u>
Reconciliation of Operating Gain/(Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Gain/ (Loss)	\$ (103,472)	\$ 6,169	\$ (97,303)
Adjustments to reconcile operating income			
Depreciation	13,684	-	13,684
Loss on disposal of capital assets	-		-
Adjustment to pension expense	65,530	-	65,530
Employment credit expense	-	67,361	67,361
Board forgiveness accounts	-	-	-
Changes in assets and liabilities			
Accounts receivable	69	50	119
Accounts payable	(3,685)	-	(3,685)
Compensated absences payable	7,759	-	7,759
Accrued liabilities	1,260	-	1,260
Unearned revenue	4,729	2,940	7,669
Net Cash Provided by (Used for) Operating Activities	<u>\$ (14,126)</u>	<u>\$ 76,520</u>	<u>\$ 62,394</u>

Note 1 - Organization and Nature of Operations

According to the North Dakota Century Code, Section 43-12.1-08, the North Dakota Board of Nursing (the Board) shall regulate the practice of nursing to assure that qualified competent practitioners and high quality standards are available. Regulation of the profession of nursing must ensure that no person may practice or offer to practice nursing or use titles of advanced practice registered nurse, specialty practice registered nurse, registered nurse, licensed practical nurse, or unlicensed assistant person, or titles of a similar nature which denote the practice of nursing to the general public unless licensed or registered.

Nursing education loans are granted to applicants who are accepted and enrolled in a nursing program as outlined in NDAC 54-04.1-02-01. To the extent funds are available, education loans are made in amounts detailed in NDAC 54-03.1-03.1 per academic degree. The loan may be repaid by nursing employment as a licensed nurse in ND after graduation at the rate of one dollar per hour of employment. Monetary payment with interest is required of applicants who withdraw from the nursing program or are not employed in the state of ND after program completion.

Note 2 - Summary of Significant Accounting Policies

Reporting Entity

In accordance with Government Accounting Standards Board (GASB) the Board should include all component units over which the Board exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on the organization, or (3) the potential for the organization to provide specific benefits to, or impose specific burdens on the Board.

Based upon criteria set forth no organizations were determined to be part of the reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The North Dakota Board of Nursing is presented in the accompanying financial statements as a proprietary fund type – an enterprise fund.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public or other funds on a continuing basis be financed or recovered primarily through user charges. The Board recovers its costs through license fees to RNs and LPNs and earnings on funds.

As a proprietary fund type, the Board accounts for its transactions using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For certain loan and investment programs, revenue that would normally be classified as non-operating should be classified as operating. Examples of this would include interest and investment income.

All other revenues that do not meet the above criteria should be classified as non-operating.

The Board reports the following major proprietary funds:

Proprietary Funds

General Fund - The general fund is the principal operating fund of the Board. It is used to account for all financial resources, which are not accounted for in other funds.

Nursing Education Loan Fund – The nursing education loan fund is used to account for the revenues and expenses related to providing nursing students with loans to further their college education in the nursing field.

Budget

Each year the Board of Directors estimates and itemizes all administrative expenses and obligations of the Board, including expenses of directors, management fees, legal and other related expense. Revenues expected to be generated from the renewal of licenses, registration and certification of new licenses, and other related revenues are estimated.

Cash

The Board considers all highly liquid investments purchased with an original maturity of three months or less to be cash.

Investments

The Board's investments consist entirely of certificates of deposit, and are reported at fair value.

Fixed Assets and Depreciation

Fixed assets are defined by the North Dakota Board of Nursing as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Equipment is depreciated using the straight line method over the estimated useful lives as established by the North Dakota Office of Management and Budget. The major capital asset categories and useful lives are as follows:

Furniture and Equipment	3-7 years
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Compensated Absences

Employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 30 days at each year-end, as set by the Board. The amount of annual leave earned ranges between 1 and 2 days per month, and is fixed by the employing unit per section 54-06-14 of the NDCC.

Annual leave liability incurred is reported in the financial statements. These unpaid amounts will be paid from expendable resources provided for in the budget of future years.

The North Dakota Century Code, section 54-06-14, states employees accrue sick leave at the rate of one to a maximum of one and one-half working days per month of employment without limitation on the amount that can be accumulated. Employees vest at 10 years of creditable service at which time the Board is liable for 10 percent of the employee's accumulated unused sick leave. A liability for those employees that qualify under the above stated guidelines has been accounted for in the financial statements. These unpaid amounts will be paid from expendable resources provided for in the budget of future years.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to/deductions from NDPERS's fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The North Dakota Board of Nursing has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the balance sheet.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The North Dakota Board of Nursing has one item that qualifies for reporting in this category, which is changes in the net pension liability not included in pension expense reported in the balance sheet.

Revenue Recognition

Revenue is recorded for licenses, exams and other miscellaneous fees. Most licenses are issued for two-year periods based on calendar years. Revenue is recognized when earned. Unearned revenue represents 25% of revenue collected during the calendar year preceding the report date and 75% of revenue collected during the current calendar year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Board has evaluated subsequent events through January 5, 2018, the date which the financial statements were available to be issued.

Note 3 - Deposits and Investments

Deposits

According to North Dakota Century Code 54-06-08.1, the Board may bank at the state-owned and operated Bank of North Dakota, without having collateral to secure the deposits. According to North Dakota Century Code 54-44-12, the Board may also deposit moneys in any depository selected by the Board of Directors, however, these funds must be collateralized. The Board receives interest for funds on deposit in all accounts, except for its checking accounts. The Board considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. As of June 30, 2017, the Board has bank deposits with a carrying amount of \$379,412.

Cash deposits at the Bank of North Dakota recorded as cash and cash equivalents	\$ 301,260
Cash deposits at Kirkwood Bank and Trust recorded as cash and cash equivalents	<u>78,152</u>
	<u><u>\$ 379,412</u></u>

Custodial and Concentration of Credit Risk

For deposits and investments, there is the risk that, in the event of the failure of a depository financial institution or party to the investment transaction, the Board will not be able to recover the deposits or investments that are in the possession of an outside party. Deposits and Certificates of deposits at the Bank of North Dakota are uncollateralized but are guaranteed by the State of North Dakota (NDCC Section 6-09-10). All deposits and investments at Kirkwood Bank and Trust, Dakota Community Bank and BNC National Bank that exceed the FDIC limit of \$250,000 are secured with collateral by the bank.

Investments

As of June 30, 2017, the Board had investments with a fair value of \$722,205. These investments are held at the Bank of North Dakota, Kirkwood Bank and Trust, Dakota Community Bank, and BNC National Bank and consist of certificates of deposit with a maturity date of one year or less.

Certificates of Deposit at the Bank of North Dakota	\$ 200,702
Certificates of Deposit at Kirkwood Bank and Trust	268,758
Certificates of Deposit at Dakota Community Bank	176,480
Certificates of Deposit at BNC National Bank	76,265
	<hr/>
	\$ 722,205
	<hr/> <hr/>

Interest Rate Risk – The Board 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 1 year.

Note 4 - Notes Receivable

The North Dakota Board of Nursing operates the Nursing Education Loan Program. The program is funded by ten dollars of each registered nurse and licensed practical nurse biennial renewal fee. To qualify for a nursing education loan, the student must be enrolled in a board-approved nursing education program or have a current North Dakota license.

Program guidelines indicate the amount of educational loans that may be made to individual students. The loan may be repaid by nursing employment in North Dakota after graduation. The repayment rate is one dollar per hour of employment. If employment in North Dakota is terminated before the loan is fully canceled, interest designated on the signed note will begin to accrue on the unpaid balance. Repayment of the loan begins 60 days after graduation or termination of nursing employment in North Dakota. Payments are at least \$50 per month. The allowance represents the loans estimated to be uncollectible.

Notes receivable as of June 30, 2017 totaled the following:

Notes receivable	\$ 158,683
Allowance for doubtful notes	(3,492)
	<hr/>
	155,191
Less current portion	77,596
	<hr/>
	\$ 77,595
	<hr/> <hr/>

Note 5 - Fixed Assets

A statement of changes in fixed assets for the year ended June 30, 2017 is as follows:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
Furniture and equipment	\$ 183,384	\$ 1,880	\$ (5,555)	\$ 179,709
Accumulated depreciation	(145,901)	(13,684)	5,555	(154,030)
	<u>\$ 37,483</u>	<u>\$ (11,804)</u>	<u>\$ -</u>	<u>\$ 25,679</u>

Note 6 - Long-Term Debt

Long-term debt consists partly of compensated absences and partly of the net pension liability. A summary of changes in long-term debt for the year ended June 30, 2017 is as follows:

Compensated absences	
Balance - July 1	\$ 68,194
Salary adjustment	2,726
Annual leave accrued	48,355
Annual leave used	(44,370)
Sick leave accrued	1,474
Sick leave used	(426)
Balance - June 30	<u>75,953</u>
Current portion	(45,000)
Long-term compensated absences balance	<u>30,953</u>
Net pension liability	
Balance - July 1	251,158
Adjustment to record net pension liability in the CY	333,484
Balance - June 30	<u>584,642</u>
Long-term liabilities	<u>\$ 615,595</u>

Note 7 - Pension Plans

The North Dakota Board of Nursing participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. The following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, 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 seven 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; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual 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. 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 credit 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 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 employees who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

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 25 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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

At June 30, 2017, the North Dakota Board of Nursing reported a liability of \$584,642 for its proportionate share of the PERS's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The North Dakota Board of Nursing's proportion of the net pension liability was based on North Dakota Board of Nursing's share of covered payroll during the measurement period for employer payroll paid dates from July 01, 2015 through June 30, 2016, relative to the total covered employee payroll for all of NDPERS's participating Main System employers. At June 30, 2016, the North Dakota Board of Nursing's proportion was .059988%.

For the year ended June 30, 2017, the North Dakota Board of Nursing recognized pension expense of \$65,530 for its proportionate share of PERS's pension expense.

At June 30, 2017, the North Dakota Board of Nursing reported its proportionate share of PERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,783	\$ 5,413
Changes in actuarial assumptions	53,896.00	29,045
Difference between projected and actual investment earnings	81,566.00	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	153,282	-
Contributions to NDPERS subsequent to the measurement date	97,583	-
Total	<u>\$ 395,110</u>	<u>\$ 34,458</u>

\$97,583 reported as deferred outflows of resources related to pensions resulting from the North Dakota Board of Nursing's contributions to NDPERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as outflows and inflows of resources related to NDPERS pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2017	\$ 52,078
2018	52,078
2019	69,871
2020	56,308
2021	32,734

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50% per annum
Investment rate of return	8.00% net of investment expenses
Projected salary increases	4.50% per annum

For active members, inactive members, and healthy retirees, mortality rates were based on RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 01, 2016 funding actuarial valuation for NDPERS.

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 an expected long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	31%	6.60%
International Equity	21%	7.30%
Private Equity	5%	10.90%
Domestic Fixed Income	17%	1.49%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.24%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates equal to those based on the July 01, 2016 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 the 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 of current plan members as of June 30, 2016. 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, 2016.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the North Dakota Board of Nursing's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the North Dakota Board of Nursing's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$ 829,303	\$ 584,642	\$ 378,502

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

Note 8 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

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

The Board also participates in the North Dakota Fire and Tornado Fund. The Board pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

A premium is paid to a private insurance company for public employee blanket bond coverage. Coverage provided is \$50,000 per occurrence.

The Board participates in the North Dakota Workforce Safety Insurance (Agency), an Enterprise Fund of the State of North Dakota. The Agency is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 9 - Operating Lease

The Board leases its office space under an operating lease until June 2017. The future minimum rental payments required under the operating lease for the years ended June 30 is as follows:

2017	\$ 36,840
2018	<u>36,840</u>
	<u><u>\$ 73,680</u></u>

Expenses for rent amounted to \$36,840 for the year ended June 30, 2017.



Required Supplementary Information
June 30, 2017

North Dakota Board of Nursing

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

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS	6/30/2016	<u>0.059988%</u>	<u>\$ 584,642</u>	<u>\$ 604,542</u>	<u>96.71%</u>	<u>70.46%</u>
NDPERS	6/30/2015	<u>0.036936%</u>	<u>\$ 251,158</u>	<u>\$ 329,053</u>	<u>76.33%</u>	<u>77.15%</u>
NDPERS	6/30/2014	<u>3.342600%</u>	<u>\$ 212,162</u>	<u>\$ 281,580</u>	<u>75.35%</u>	<u>77.70%</u>

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

Pension Plan	Measurement Date	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
NDPERS	6/30/2017	<u>\$ 97,583</u>	<u>\$ (97,583)</u>	<u>\$ -</u>	<u>\$ 604,542</u>	<u>16.14%</u>
NDPERS	6/30/2016	<u>\$ 92,820</u>	<u>\$ (92,820)</u>	<u>\$ -</u>	<u>\$ 564,922</u>	<u>16.43%</u>
NDPERS	6/30/2015	<u>\$ 93,554</u>	<u>\$ (93,554)</u>	<u>\$ -</u>	<u>\$ 329,053</u>	<u>28.43%</u>

Notes to schedules:

* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the North Dakota Board of Nursing will present information for those years for which information is available.



Supplementary Information
June 30, 2017

North Dakota Board of Nursing

North Dakota Board of Nursing
Schedule of Revenues and Expenses – General Fund – Budget and Actual
Year Ended June 30, 2017

	General Fund		
	Original and Final Budget	Actual	Variance
Revenues			
Endorsements			
Professional	\$ 89,600	\$ 89,022	\$ (578)
Practical	16,800	16,503	(297)
Re-registration			
Professional	520,700	507,546	(13,154)
Practical	115,200	104,489	(10,711)
Exams			
Professional	70,400	67,898	(2,502)
Practical	33,000	31,818	(1,182)
APRN License Renewal	23,000	22,070	(930)
Reactivation fee	4,500	3,840	(660)
Advance licensure	15,100	14,425	(675)
Prescriptive authority	23,750	24,500	750
Unlicensed assistive person renewal/late/ reactivation	100	-	(100)
Unlicensed assistive person registry	19,800	16,210	(3,590)
Medication assistant	4,000	4,600	600
Labels and mailing list	2,000	2,446	446
Disciplinary fees	3,000	3,500	500
Penalty fees	35,000	35,885	885
Encumbrance fees	11,520	9,405	(2,115)
School surveys	2,250	3,250	1,000
Publications, verifications, and other fees	1,000	2,425	1,425
Course review fee	600	-	(600)
Continuing education presentations	500	400	(100)
Continuing education Approval Fee	14,400	15,525	1,125
NNAAP testing	30,000	35,100	5,100
NEL application fee	1,375	1,500	125
CHRC Processing Fee	47,400	47,460	60
Interest	1,500	1,637	137
Center for Nursing	249,200	241,472	(7,728)
NEL Income	81,000	76,470	(4,530)
Other	9,900	10,806	906
Total revenues	<u>1,426,595</u>	<u>1,390,202</u>	<u>(36,393)</u>

North Dakota Board of Nursing
Schedule of Revenues and Expenses – General Fund – Budget and Actual
Year Ended June 30, 2017

	General Fund		
	Original and Final Budget	Actual	Variance
Operating Expenses			
Salaries	630,220	637,971	(7,751)
Benefits	125,480	189,271	(63,791)
EAP Program Premium	150	148	2
Health insurance	108,500	108,501	(1)
Life insurance	130	130	-
Workers compensation	1,500	352	1,148
Staff development	5,000	4,863	137
Total employee compensation and benefits	870,980	941,236	(70,256)
Board staff expenses	6,000	3,149	2,851
Board meeting expenses	38,000	24,411	13,589
Unappropriated Expenses	250	-	250
Total board expenses	44,250	27,560	16,690
Rent	35,450	35,520	(70)
Phone expense	4,500	4,253	247
Office supplies expense	6,000	5,195	805
Records storage expense	500	218	282
Postage expense	10,000	9,111	889
Printing expense	1,200	1,135	65
Publications and subscriptions	600	345	255
Service contract	1,000	1,266	(266)
Repairs and parts	250	-	250
Office insurance	1,550	1,536	14
Disciplinary process	1,500	31	1,469
NCSBN	6,000	6,000	-
Bank charges	100	45	55
Audit fees	9,600	9,600	-
Legal fees	51,000	63,545	(12,545)
Consultant	5,000	2,600	2,400
Technology maintenance	7,700	4,728	2,972
On-line system payments	23,000	25,185	(2,185)
Equipment expense	7,000	5,284	1,716
Internet service & hosting	13,000	11,808	1,192
Office maintenance	3,100	3,060	40
Program enhancements	2,000	1,150	850
Center for nursing	249,200	241,472	7,728
NEL Transfer	81,000	76,470	4,530
Depreciation expense	-	13,684	(13,684)
Total other operating expenses	520,250	523,241	(2,991)

North Dakota Board of Nursing
Schedule of Revenues and Expenses – General Fund – Budget and Actual
Year Ended June 30, 2017

	General Fund		
	Original and Final Budget	Actual	Variance
Total operating expenses	1,435,480	1,492,037	(56,557)
Revenues over Expenses	<u>\$ (8,885)</u>	<u>\$ (101,835)</u>	<u>\$ 92,950</u>

<u>Names and Address</u>	<u>Office</u>	<u>Expiration Date of Term</u>
Advanced Practice Registered Nurse		
Paula Schmalz Fargo, ND		June 30, 2017
Registered Nurses		
Jan Christianson Grand Forks, ND	President	June 30, 2018
Michael Hammer Velva, ND	Vice President	June 30, 2019
Jamie Hammer Minot, ND	Treasurer	June 30, 2020
Janelle Holth Grand Forks, ND		June 30, 2021
Mary Beth Johnson Bismarck, ND		June 30, 2018
Licensed Practical Nurses		
Bonny Mayer Minot, ND		June 30, 2019
Wendi Johnston Kathryn, ND		June 30, 2020
Public Member		
Clara Sue Price Minot, ND		June 30, 2017
Office Staff		
Stacey Pfenning, APRN, DNP, FNP	Executive Director	
Melissa Hanson, MSN, RN	Associate Director for Discipline	
Tammy Buchholz, MSN, RN, CNE	Associate Director for Education	
Patricia Hill, RN	Assistant Director for Practice & Discipline	
Julie Schwan	Administrative Services Coordinator	
Gail Rossman	Technology Specialist	
Sally Bohmbach	Administrative Assistant	
Kathy Zahn	Administrative Assistant	



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

To the Board of Directors
North Dakota Board of Nursing
Bismarck, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major enterprise fund of the North Dakota Board of Nursing as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the North Dakota Board of Nursing's basic financial statements, and have issued our report thereon dated January 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Dakota Board of Nursing'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 North Dakota Board of Nursing's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Board of Nursing'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying summary of findings that we consider to be a significant deficiency listed as 2016-A and 2016-B.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Dakota Board of Nursing'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Dakota Board of Nursing's Response to Finding

North Dakota Board of Nursing's response to the finding identified in our audit is described in the accompanying summary of audit findings. North Dakota Board of Nursing's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
January 5, 2018

Significant Deficiencies

2016-A - Preparation of Financial Statements

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements.

Condition: The Board does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause: The control deficiency could result in a misstatement to the presentation of the financial statements.

Effect: Inadequate controls over financial reporting of the Board result in the more than remote likelihood that the Board would not be able to draft the financial statements and accompanying notes to the financial statements without the assistance of the auditors.

Recommendations: While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Board and changes in reporting requirements.

Response: Since it is not cost-effective for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of North Dakota Board of Nursing.

2016- B - Audit Adjustment

Criteria: A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Condition: We identified a misstatement in the Board's financial statements causing us to propose an audit adjustment.

Cause: The control deficiency could result in a misstatement to the presentation of the financial statements.

Effect: Inadequate controls over the calculation of adjusting entries affects the Board's ability to detect misstatements.

Recommendations: We recommend adjusting entries be reviewed by a staff member who did not perform the calculation.

Response: Deferred revenue calculations were incorrect in earned revenue due to an entry that was not updated from a previous year. To address this issue, management will have staff who were not involved in the preparation of deferred revenue calculations review the entries prior to posting.