

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY  
GRAFTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
North Dakota Board of Physical Therapy  
Grafton, North Dakota

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Dakota Board of Physical Therapy as of and for the years ended June 30, 2018 and 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 audits. We conducted our audits 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 involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 respective financial position of the governmental activities and each major fund of North Dakota Board of Physical Therapy as of June 30, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Management has omitted the budgetary comparison information that accounting principles generally accepted in the United States of America requires 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 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 accepting 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 provided any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018 on our consideration of North Dakota Board of Physical Therapy'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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the North Dakota Board of Physical Therapy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Board of Physical Therapy's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

December 4, 2018

BRADY, MARTZ & ASSOCIATES, P.C.

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

This discussion report is offered as an accompaniment to the audited financial statements of the North Dakota Board of Physical Therapy. It includes a narrative overview of the Board, and its financial activities for the years ended June 30, 2018 and 2017.

The Board is a regulatory agency of the State of North Dakota. Its activities consist of the initial licensing of physical therapists and physical therapist assistants, annual license renewal, monitoring physical therapists' continuing education, and responding to occasional consumer concerns about the performance of a physical therapist. The Board has a staff of two, which consists of the executive officer and administrative assistant. The Board owns no real property, and maintains its financial assets in cash or cash equivalents, other than office equipment and costs for their web site database.

The national and state economic climates have little direct effect on the Board's financial operations. The Board does not seek grants, loans or other financial consideration from any governmental unit or other entity. Its revenues consist of licensing and application fees, late fees, and interest income. No funding is received from the general revenues of the State, or are funds transferred to the State.

## **FINANCIAL HIGHLIGHTS**

Net position decreased over the two year period from \$477,745 to \$472,131 as of June 30, 2018.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion serves as an introduction to the Board's four basic financial statements, which consist of: 1) Statement of Net Position, 2) Statement of Activities, 3) Governmental Funds Balance Sheet, and 4) Statement of Revenues, Expenditures and Changes in Fund Balances.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The statement of net position presents the total of all the Board's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as an indicator of whether or not the financial position of the Board is improving or deteriorating.

The statement of activities presents a view of how the Board's net position changed during the fiscal year. All changes in net position are reported when the related event occurs, regardless of the timing or related cash flow. As a result, revenues and expenses could be reported for items that will not result in cash flows until future periods.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board's governmental funds consist only of the general fund.

**Notes to financial statements.** The Notes to the financial statements provide additional information which the reader may find useful in understanding the Board's financial statements.

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Board's assets consist primarily of cash and cash equivalents. Capital assets owned by the Board consists of computers, office furnishings and web site database.

The Board has no short or long-term debt or receivables. The Board has no material liabilities other than short term payroll-related obligations. Changes in financial position are the result of general operations and depreciation.

**Net Position for the period ended June 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets			
Current	\$ 475,528	\$ 423,739	\$ 480,063
Capital assets-net of accumulated depreciation	<u>158</u>	<u>347</u>	<u>535</u>
Total assets	<u>475,686</u>	<u>424,086</u>	<u>480,598</u>
Liabilities			
Current	<u>3,554</u>	<u>3,157</u>	<u>2,853</u>
Net position			
Net investment in capital assets	158	347	535
Unrestricted	<u>471,974</u>	<u>420,582</u>	<u>477,210</u>
Total net position	<u>\$ 472,132</u>	<u>\$ 420,929</u>	<u>\$ 477,745</u>

**Statement of Activities for the years ended June 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Program expenses	\$ (69,440)	\$ (82,326)	\$ (49,068)
Program revenues	<u>119,615</u>	<u>24,750</u>	<u>116,170</u>
Net program revenue	50,175	(57,576)	67,102
General revenues	<u>1,027</u>	<u>759</u>	<u>1,599</u>
Change in net position	<u>\$ 51,203</u>	<u>\$ (56,817)</u>	<u>\$ 68,701</u>

Questions regarding this report may be directed to the Administrative Assistant, Tami Egeland, by telephone (701-352-0125), or by mail: NDBPT, PO Box 69, Grafton, ND 58237.

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2018 AND 2017**

	Governmental Activities	
	2018	2017
<b><u>ASSETS</u></b>		
Cash	\$ 214,710	\$ 238,949
Certificates of deposit	260,818	184,790
Capital assets:		
Fixed assets	65,332	65,332
Less: accumulated depreciation	(65,174)	(64,985)
Total Assets	<u>475,686</u>	<u>424,086</u>
<b><u>LIABILITIES</u></b>		
Accrued salaries	2,536	2,177
Payroll taxes payable	1,018	980
Total Liabilities	<u>3,554</u>	<u>3,157</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	158	347
Unrestricted	<u>471,974</u>	<u>420,582</u>
Total Net Position	<u>\$ 472,132</u>	<u>\$ 420,929</u>

See Notes to the Financial Statements

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	Governmental Activities	
	2018	2017
Program Expenses:		
Administration Assistant	\$ 9,849	\$ 8,609
Audit	600	3,490
Complaint Reviews	43	-
Computer Consulting	18,736	15,025
Computer Equipment	938	136
Executive Officer	16,900	16,800
Federal/Clear Dues	2,374	2,196
Insurance	250	250
In State Travel, Meeting, Meals	5,973	1,859
Legal Fees	3,600	22,350
Miscellaneous Expenses	5,349	5,122
Office Supplies	1,030	137
Phone/Fax	810	1,988
Postage	788	465
Out of State Travel	-	1,784
Payroll Taxes	2,011	1,926
Depreciation	189	189
Total Program Expenses	<u>69,440</u>	<u>82,326</u>
Program Revenues:		
Licenses Fees	119,565	24,750
Labels	50	-
Total Program Revenues	<u>119,615</u>	<u>24,750</u>
Net Revenues and Changes in Net Position	<u>50,175</u>	<u>(57,576)</u>
General Revenues/(Expenses):		
Interest Income	<u>1,027</u>	<u>759</u>
Total General Revenues	<u>1,027</u>	<u>759</u>
Change in Net Position	51,203	(56,817)
Net Position-Beginning	<u>420,928</u>	<u>477,745</u>
Net Position-Ending	<u>\$ 472,131</u>	<u>\$ 420,928</u>

See Notes to the Financial Statements



**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**BALANCE SHEETS – GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2018 AND 2017**

	General Fund	
	2018	2017
<b><u>ASSETS</u></b>		
Cash	\$ 214,710	\$ 238,949
Certificates of deposit	260,818	184,790
Total assets	<u>\$ 475,528</u>	<u>\$ 423,739</u>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>		
Liabilities		
Accrued salaries	\$ 2,536	\$ 2,177
Payroll taxes payable	1,018	980
Total liabilities	<u>3,554</u>	<u>3,157</u>
Fund balances		
Assigned	173,965	98,175
Unassigned	298,009	322,407
Total fund balances	<u>471,974</u>	<u>420,582</u>
Total liabilities and fund balances	<u>\$ 475,528</u>	<u>\$ 423,739</u>

See Notes to the Financial Statements

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**RECONCILIATION OF THE BALANCE SHEETS TO THE**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Total fund balances - governmental funds	\$ 471,974	\$ 420,582

Amounts reported for governmental activities in the statement  
of net position are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported as assets in governmental funds.

Fixed assets	65,332	65,332
Less: accumulated depreciation	<u>(65,174)</u>	<u>(64,985)</u>
	<u>158</u>	<u>347</u>

Total net position - governmental activities	<u>\$ 472,132</u>	<u>\$ 420,929</u>
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See Notes to the Financial Statements

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	General Fund	
	2018	2017
<b>REVENUES:</b>		
License Fees	\$ 119,565	\$ 24,750
Labels	50	-
Interest Income	1,027	759
Total Revenue	<u>120,643</u>	<u>25,509</u>
<b>EXPENDITURES:</b>		
Administration Assistant	9,849	8,609
Audit	600	3,490
Complaint Reviews	43	-
Computer Consulting	18,736	15,025
Computer Equipment	938	136
Executive Officer	16,900	16,800
Federation/Clear Dues	2,374	2,196
Insurance	250	250
In State Travel, Meeting, Meals	5,973	1,859
Legal Fees	3,600	22,350
Miscellaneous Expenses	5,349	5,122
Office Supplies	1,030	137
Out of State Travel	-	1,784
Phone/Fax	810	1,988
Postage	788	465
Payroll Taxes	2,011	1,926
Total Expenditures	<u>69,251</u>	<u>82,137</u>
Excess of Revenues Over Expenditures	51,392	(56,628)
Net Change in Fund Balance	51,392	(56,628)
FUND BALANCE, BEGINNING OF YEAR	<u>420,582</u>	<u>477,210</u>
FUND BALANCE, END OF YEAR	<u>\$ 471,974</u>	<u>\$ 420,582</u>

See Notes to the Financial Statements

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Total net change in fund balances - governmental funds	\$ 51,392	\$ (56,628)

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

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Depreciation expense	<u>(189)</u>	<u>(189)</u>
Change in net position - governmental activities	<u>\$ 51,203</u>	<u>\$ (56,817)</u>

See Notes to the Financial Statements

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The North Dakota Board of Physical Therapy, located in Grafton, North Dakota was organized as a governmental organization. The Board's purpose is to serve as a licensing and regulatory board for licensed and certified physical therapists and physical therapist assistants practicing within the State of North Dakota. The Board accomplishes their purpose by licensing physical therapists and physical therapist assistants, enforcing the physical therapist laws and regulations and responding to consumer complaints.

**Reporting Entity**

The Board, in accordance with *Government Auditing Standards* has developed criteria to determine whether outside agencies with activities which benefit the Board should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Board exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships. The Board has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Board's financial statements.

**Basis of Presentation**

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Board's basic financial statements consist of government-wide statements and fund financial statements.

**Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Board are included in the statement of net position.

Government-wide financial statements are prepared on the accrual basis of accounting. Under 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.

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the Board as a whole. These statements include all the financial activities of the Board.

The statement of net position presents the financial condition of the governmental activities of the Board at year-end.

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the Board. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Board.

### **Fund Financial Statements**

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The Board's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Board considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

The current financial resources measurement focus differs from the manner that the governmental activities of the government-wide financial statements are prepared. Due to the difference, the Board's financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Typically, aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements; currently, however, the Board's financial statements consist of only one general fund which is considered a major fund.

When fund balance resources are available for use, it is the government's policy to use restricted, committed, assigned, and unassigned resources as they are needed in that order.

### **Governmental Funds**

Governmental funds are utilized to account for most of the Board's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The Board's major governmental funds consist of the following:

#### **General Fund**

This fund is the general operating fund of the Board. It accounts for all financial resources except those requiring to be accounted for in another fund. Currently, the Board accounts for all of its activities in the general fund.

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**Cash and Cash Equivalents**

The Board considers demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less to be cash and cash equivalents.

**Capital Assets**

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

Capital assets are recorded in the Governmental-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives of three to five years.

**Net Position/Fund Balance**

The difference between assets and liabilities is "Net Position" on the government wide financial statements and "Fund Balance" on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority which is the Board through a resolution.

Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Board.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The first priority is to utilizing the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**Encumbrances**

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

**NOTE 2 CASH AND CERTIFICATES OF DEPOSIT**

**A. Cash**

The Board's funds are required to be deposited and invested with the designated depositories in accordance with the laws of North Dakota. North Dakota laws require all public deposits be protected by insurance, surety bond, or collateral pledged by the financial institution. Pledged collateral must equal 110% of the deposits not covered by insurance or bonds. For the year ended June 30, 2018, the Board was properly collateralized.

**B. Certificates of Deposit**

Interest Rate Risk

The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

North Dakota laws restrict allowable investments for public funds in order to safeguard the principle on investments. North Dakota law authorizes political subdivisions to invest surplus funds in:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured to guarantee by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
4. Obligation of the state.



**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the fiscal years ended June 30, 2018 and 2017 was as follows:

	Balance 6-30-17	Additions	Disposals	Balance 6-30-18
Governmental Activities				
Furniture, Computers and Database	\$ 65,332	\$ -	\$ -	\$ 65,332
Accumulated Depreciation	(64,985)	(189)	-	(65,174)
Net Capital Assets	<u>\$ 347</u>	<u>\$ (189)</u>	<u>\$ -</u>	<u>\$ 158</u>

	Balance 6-30-16	Additions	Disposals	Balance 6-30-17
Governmental Activities				
Furniture, Computers and Database	\$ 65,332	\$ -	\$ -	\$ 65,332
Accumulated Depreciation	(64,796)	(189)	-	(64,985)
Net Capital Assets	<u>\$ 536</u>	<u>\$ (189)</u>	<u>\$ -</u>	<u>\$ 347</u>

**NOTE 4 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. Management believes the current coverage is adequate. The errors and omissions insurance are provided through the State of North Dakota Risk Management Fund.

**NOTE 5 FUND BALANCE**

The Board has assigned a portion of its fund balance to be used for future operations. The Board has designated two certificates of deposit to represent the assigned fund balance.

**NOTE 6 NEW PRONOUNCEMENTS**

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged..

Management has not yet determined the effect these statements will have on the Organization's financial statements.

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 7 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Board's year end. Subsequent events have been evaluated through December 4, 2018, the date which the financial statements were available to be issued.

**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 Board of Directors  
North Dakota Board of Physical Therapy  
Grafton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the North Dakota Board of Physical Therapy as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the North Dakota Board of Physical Therapy's basic financial statements and have issued our report thereon dated December 4, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the North Dakota Board of Physical Therapy'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 Physical Therapy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Dakota Board of Physical Therapy'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*.

### **The North Dakota Board of Physical Therapy's Response to Findings**

The North Dakota Board of Physical Therapy's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. North Dakota Board of Physical Therapy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



**BRADY, MARTZ AND ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

December 4, 2018

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**Control Deficiency 2018-001**

**Criteria:**

An organization should design an internal control system to achieve an adequate segregation of duties within a significant account or process.

**Condition:**

A proper separation of duties for internal control does not exist.

**Cause of Condition:**

The North Dakota Board of Physical Therapy has two employees, the executive officer and the administrative assistant, responsible for all accounting and administrative functions involved.

**Effect:**

The lack of segregation of duties could adversely affect the Board's ability to initiate, authorize, record, process, report financial data reliably or prevent or detect noncompliance on a timely basis.

**Recommendation:**

Proper separation of duties should be obtained where feasible.

**Response:**

We concur with the auditor's recommendation; however considering the size of the entity it is not feasible to obtain proper separation of duties.

**NORTH DAKOTA BOARD OF PHYSICAL THERAPY**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**Control Deficiency 2018-002**

**Criteria:**

An organization should design an internal control system to provide for the preparation of financial statements of the organization.

**Condition:**

The Organization does not prepare the financial statements.

**Cause:**

The Organization is responsible for the preparation of the financial statements and accompanying notes to the financial statements to be audited. The internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

**Effect:**

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

**Recommendation:**

It is the responsibility of management and those charged with governance to make a decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Response:**

We concur with the auditor's finding and will consider the risks and costs associated with the financial statement preparation.