HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

204 East Main Street
Mandan, ND 58554

701-663-9345
866-861-7169

EDUCATION STANDARDS AND PRACTICES BOARD

AUDIT REPORT

JUNE 30, 2019

EDUCATION STANDARDS AND PRACTICES BOARD
June 30, 2019

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CERTIFIED PUBLIC ACCOUNTANTS

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701-663-9345
866-861-7169

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Education Standards and Practices Board
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Education Standards and Practices Board, Bismarck, North Dakota, as of and for the year ended June 30, 2019, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure 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 respective financial position of the governmental activities and each major fund of the Education Standards and Practices Board as of June 30, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Board's share of net pension and OPEB liability and employer contributions on page 20 and 21, the budgetary comparison information on pages 22 through 23, and the notes to the required supplementary information on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2023, on our consideration of the Education Standards and Practices Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Education Standards and Practices Board's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd
Mandan, North Dakota
April 6, 2023

Education Standards and Practices Board
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2019

	Governmental Funds Balance Sheet				
	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and Cash Equivalents	$ 656,954	$ 411,622	$ 1,068,576	$ -	$ 1,068,576
Certificates of Deposit	361,828	-	361,828	-	361,828
Accounts Receivable	52,325	-	52,325	-	52,325
Due from Teacher Support Fund	8,968	-	8,968	(8,968)	-
Prepaid Expenses	4,500	-	4,500	-	4,500
Furniture & Equipment, Net of Accumulated Depreciation	-	-	-	12,505	12,505
Total Assets	$ 1,084,575	$ 411,622	$ 1,496,197	3,537	1,499,734
DEFERRED OUTFLOWS OF RESOURCES					
Derived from Pension and OPEB				313,887	313,887
LIABILITIES					
Accounts Payable	$ 3,885	$ 4,938	$ 8,823	-	8,823
Due to General Fund	-	8,968	8,968	(8,968)	-
Payroll Taxes Payable	5,768	2,897	8,665	-	8,665
Long-Term Liabilities:					
Due within One Year					
Compensated Absences	-	-	-	50,747	50,747
Due after One Year:					
Net Pension and OPEB Liability	-	-	-	706,470	706,470
Total Liabilities	9,653	16,803	26,456	748,249	774,705
DEFERRED INFLOWS OF RESOURCES					
Derived from Pension and OPEB				72,356	72,356
FUND BALANCES/NET POSITION					
Fund Balances:					
Restricted for Grant	-	394,819	394,819	(394,819)	-
Nonspendable - Prepaid Expenses	4,500	-	4,500	(4,500)	-
Unassigned	1,070,422	-	1,070,422	(1,070,422)	-
Total Fund Balances	1,074,922	394,819	1,469,741	(1,469,741)	-
Total Liabilities and Fund Balances	$ 1,084,575	$ 411,622	$ 1,496,197		
Net Position:					
Invested in Capital Assets				-	-
Restricted for Teacher Support Program				394,819	394,819
Unrestricted				571,741	571,741
Total Net Position				$ 966,560	$ 966,560

Explanation of adjustments between the governmental funds balance sheet and the government-wide statement of net position:

Total Fund Balances - Governmental Funds	$ 1,469,741
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $86,507 and the accumulated depreciation is $74,002.	12,505
Compensated absences are not due and payable until an employee terminates employment, therefore, is not reported in the governmental funds balance sheet.	(50,747)
Deferred outflows of resources are not a financial resource available in the current period and , therefore, are not reported in the goverenmental funds balance sheet.	313,887
The net pension and OPEB liability is not due and payable in the current period and, therefore is not reported in the governmental funds balance sheet.	(706,470)
Deferred inflows of resources are not due and payable in the current period and, therefore are not reported in the governmental funds balance sheet.	(72,356)
Net Position - Governmental Activities	$ 966,560

The accompanying notes are an integral part of these financial statements.

Education Standards and Practices Board
Statement of Activities and
Governmental Fund Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2019

	Governmental Fund Revenues, Expenditures, and Changes in Fund Balances				
	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Activities
Expenditures/Expenses:					
Licensing & Regulation	$ 822,635	$ -	$ 822,635	$ 84,023	$ 906,658
Teacher Support System	-	1,217,419	1,217,419	-	1,217,419
Total Expenditures/Expenses	822,635	1,217,419	2,040,054	84,023	2,124,077
Program Revenues:					
Licensing Fees	696,947	-	696,947	-	696,947
Teacher Support System Grant	-	1,050,000	1,050,000	-	1,050,000
Fingerprinting & Portfolio	88,180	-	88,180	-	88,180
National Board PTS					
Fines/Late Fees	26,650	-	26,650	-	26,650
Other Income	92,245	24	92,269	-	92,269
Total Program Revenues	904,022	1,050,024	1,954,046	-	1,954,046
Net Program Revenue					(170,031)
General Revenues:					
Investment Earnings	9,375	345	9,720	-	9,720
Interfund Transfers	61,582	(61,582)	-	-	-
Total General Revenues and Transfers	70,957	(61,237)	9,720	-	9,720
Excess of Revenues Over (Under) Expenditures	152,344	(228,632)	(76,288)	76,288	-
Change in Net Position	-	-	-	(160,311)	(160,311)
Fund Balance/Net Position:					
Beginning of the Year	922,578	623,451	1,546,029	(419,158)	1,126,871
End of the Year	$ 1,074,922	$ 394,819	$ 1,469,741	$ (503,181)	$ 966,560

Explanation of the adjustments between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

Governmental Funds - Excess of Revenues Over (Under) Expenditures	$ (76,288)
Depreciation expense on capital assets is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(6,967)
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The cost of new capital assets for the year is $7163	7,163
The increase in accrued leave payable does not provide current financial resources; therefore is not reported as an expenditure in the governmental funds.	(12,875)
Governmental funds report the pension and OPEB expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.	(71,344)
Statement of Activities - Change in Net Position	$ (160,311)

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

In 1995, the North Dakota Legislature created the Education Standards and Practices Board. The Board had previously functioned as an administrative division of the North Dakota Department of Public Instruction. The Board became an autonomous entity on July 1, 1997.

The Education Standards and Practices Board is a governmental organization. The ten-member Board of Directors, which is appointed by the Governor of North Dakota, must include four classroom teachers from public schools, two school board members, one non-public classroom teacher, two school administrators and one dean or chair of a college of education. Members are appointed to three-year terms and may not serve more than two consecutive terms.

The Board supervises the licensure of teachers; sets standards for and approves teacher preparation programs; issues minor equivalency endorsements, develops and revises, consistent with state law, professional codes or standards relating to ethics, conduct, and professional performance and practices; and provides recommendations for in-service education of persons engaged in the profession of teaching in public schools.

Reporting Entity

Generally accepted accounting principles require that the reporting entity include (l) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the Education Standards and Practices Board as a reporting entity.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Governmental 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.

Special Revenue Fund – This fund reports the activities of the Teacher Support System Grant.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, generally within 30 days of year-end. The revenues that are determined to be susceptible to accrual are license fees, fines and interest.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due and collectible.

Budgets

Budgets for revenues and expenditures are adopted on a basis consistent with generally accepted accounting principles. The Board is required to adopt a budget for the General Fund and each Special Revenue Fund. Each year the Board 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 also estimated.

Net Position/Fund Balance

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

Cash, Cash Equivalents, and Certificates of Deposit

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit with terms of less than three months.

Investments consist of certificates of deposit carried at cost with a term of more than three months. The certificates of deposit had interest rates of 1.10% – 3.35% and terms of 12 to 60 months at June 30, 2019.

Capital Assets and Depreciation

Capital assets are reported at cost less accumulated depreciation. Equipment with an original cost of $100 or more and an estimated useful life in excess of one year are capitalized and reported in the government-wide financial statements. Depreciation is computed on a straight-line basis over the estimated useful life of the assets, generally five years for equipment and seven years for furniture.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Compensated Absences

Annual and sick leave are part of permanent employees' compensation. In general, accrued annual leave cannot exceed 30 days at year-end while sick leave is not limited. Employees earn annual leave at a variable rate based on years of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement. Employees vest in sick leave at ten years of credible service, at which time the employer is liable for 10% of the accumulated unused sick leave.

The government-wide financial statements present the cost of compensated absences as a liability. The governmental fund financial statements recognize compensated absences when the liability is incurred and payable from available expendable resources.

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

> *Restricted* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
>
> *Committed* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board – the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
>
> *Assigned* – This classification reflects the amounts constrained by the Board's "intent" to be used for special purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.
>
> *Unassigned* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Board's preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of 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. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 11 for additional information.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and 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, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post Employment Benefit (OPEB)

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

NOTE 2 – DEPOSITS

In accordance with North Dakota statutes, the Board maintains deposits at depository banks designated by the governing board. All depositories are members of the Federal Reserve System. North Dakota laws require all public deposits to be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

At June 30, 2019, the carrying amount of deposits was $1,430,404, and the bank balances were $1,160,463. The deposits of the Board can be categorized to indicate the level of risk assumed. Category 1 includes bank balances that are insured or collateralized by insured or registered securities held by the government sponsored investment pool or its agent in the pool's name. Category 2 includes bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name. Category 3 includes bank balances collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Board's name. At June 30, 2019, category 1 deposits were $1,160,463 and all funds were covered by Federal Depository Insurance or guaranteed by the State of North Dakota.

NOTE 2 – DEPOSITS – CONTINUED

The board has not adopted a deposit policy limiting the Board's deposits with any one depositor.

The table below summarizes the Board's cash and cash equivalents by type as of June 30, 2019:

	Maturities	Fair Value
Deposits with financial institutions	-	$ 1,068,576
Certificates of Deposit	12-60 months	361,828
		$ 1,430,404

NOTE 3 – CAPITAL FIXED ASSETS

Following is a summary of capital assets for the year ended June 30, 2019:

	Capital Assets	Accumulated Depreciation	Net
Balance 6/30/18	$ 79,669	$ 67,360	$ 12,309
Increases	7,163	6,967	196
Decreases	(325)	(325)	-
Balance 6/30/19	$ 86,507	$ 74,002	$ 12,505

Depreciation expense for the year ended June 30, 2019 was $6,967.

NOTE 4 – LONG-TERM LIABILITIES

A summary of changes in general long-term liabilities for the year ended June 30, 2019 is as follows:

	Compensated Absences	Current Portion
Balance 6/30/18	$ 37,872	$ 37,872
Net Increase*	12,875	12,875
Balance 6/30/19	$ 50,747	$ 50,747

*The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost. All reported as current as employees may terminate at anytime and be owed the accrued leave immediately.

NOTE 5 – BOARD OF DIRECTORS

The Board of Directors of the Organization consisted of the following individuals at June 30, 2019:

Michael McNeff	Chairperson/School Board Representative
Dinah Goldenberg	School Board Representative
Benjamin Johnson	Administrative Represenţive
Carly Retterath	Chairperson/Teacher Representative
Kimberly Belgarde	Teacher Representative
Andrea Fox	Teacher Representative
Kathleen Lentz	Teacher Representative
Brenda Wener-Tufte	Teacher Representative
Jessica Rush	Teacher Representative
Robert Toso	School Board Representative

NOTE 6 – OPERATING LEASE

The Board has a lease for operating space ending June 30, 2021. Rent paid for the year ending June 30, 2019 was $25,920. A new lease was signed for July 1, 2019 through June 30, 2021 with monthly installments of $2,200. Future payments for fiscal year 2020 are $26,400 and for fiscal year 2021 are $26,400.

NOTE 7 – DESIGNATED FUNDS

The Board has designated funds for unemployment insurance at June 30, 2019 in the amount of:

Unemployment Insurance	$ 34,584

NOTE 8 – INTERFUND TRANSFERS

At June 30, 2019, fund transfers consisted of the following:

Fund	In	Out	Purpose
General Fund	$61,582	$ -	*Grant funds for administrative costs*
Special Revenue Fund	-	61,582	*Grant funds for administrative costs*
	$61,582	$ 61,582	

NOTE 9 – INTERFUND BALANCES

At June 30, 2019, interfund balances consisted of the following:

Fund	Due To	Due From	Purpose
General Fund	$ 8,968	$ -	*Due for administrative costs*
Special Revenue Fund	-	8,968	*Due for administrative costs*
	$ 8,968	$ 8,968	

NOTE 10 – 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:

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

The Board participates in the North Dakota Worker's Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau 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 11 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of June 30, 2019 are as follows:

Deferred Outflows of Resources		
Derived from pension - OPEB	$	8,382
Derived from pension - NDPERS		305,505
	$	313,887
Deferred Inflows of Resources		
Derived from pension - OPEB	$	2,096
Derived from pension - NDPERS		70,260
	$	72,356

Note 12 of the financial statements contains detail of the pension and OPEB plans.

NOTE 12 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

1. North Dakota Public Employees Retirement System (Main System)

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

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

NOTE 12 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

Pension Benefits

Benefits are set by statute. NDPERS has no 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). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

NOTE 12 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Member and Employer Contributions

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

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

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

At June 30, 2019, the Board reported a liability of $676,816 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the Board's proportion was 0.040105%, which was an decrease of 0.000987% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Board recognized pension expense of $107,202. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,793	$ 23,027
Changes of assumptions	244,316	9,660
Net difference between projected and actual earnings on pension plan investments	-	3,293
Changes in proportion and differences betweeen employer contributions and proportionate share of contributions	24,176	34,280
Employer contributions subsequent to the measurement date (see below)	35,220	-
Total	$ 305,505	$ 70,260

$35,220 reported as deferred outflows of resources related to pensions resulting from Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

NOTE 12 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

For the year ended June 30,	
2020	$ 65,208
2021	56,211
2022	47,988
2023	29,644
2024	974
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%

Salary increases

Service At Beginning of Year	State Employee	Non-State Employee
0	12.00%	15.00%
1	9.50%	10.00%
2	7.25%	8.00%
3	*	*
4	*	*
Age		
Under 30	7.25%	10.00%
30-39	6.50%	7.50%
40-49	6.25%	6.75%
50-59	5.75%	6.50%
60+	5.00%	5.25%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return 7.75%, net of investment expenses
Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP- 2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

NOTE 12 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

NOTE 12 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.32%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32%) or 1-percentage-point higher (7.32%) than the current rate:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	$ 919,667	$ 676,816	$ 474,164

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.

2. North Dakota Public Employees Retirement System (OPEB)

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

NOTE 12 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to $5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2019 the Board reported a liability of $29,654 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Board's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the Employer's proportion was 0.0.037653 percent, which was a decrease of 0.001122 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Board recognized OPEB expense of $3,598. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 889	$ 613
Changes of assumptions	2,433	-
Net difference between projected and actual earnings on pension plan investments	-	638
Changes in proportion and differences betweeen employer contributions and proportionate share of contributions	363	845
Employer contributions subsequent to the measurement date (see below)	4,697	-
Total	$ 8,382	$ 2,096

$4,697 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

NOTE 12 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

For the year ended June 30,		
2020	$	182
2021		182
2022		182
2023		464
2024		412
2025		166
Thereafter		1

Actuarial assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not Applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the
following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

NOTE 12 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Discount rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability	$ 37,520	$ 29,654	$ 22,912

REQUIRED
SUPPLEMENTARY INFORMATION

Education Standards and Practices Board
Required Supplementary Information
For the Year Ended June 30, 2019

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

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.040105%	0.041092%	0.036695%	0.043707%	0.044260%
Employer's proportionate share of the net pension liability (asset)	$ 676,816	$ 660,483	$ 357,629	$ 297,200	$ 280,928
Employer's covered-employee payroll	$ 412,002	$ 419,483	$ 369,799	$ 389,376	$ 372,838
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	164.27%	157.45%	97.00%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	61.98%	70.46%	77.15%	77.70%

* Complete Data for this Schedule is not available prior to 2015

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

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 30,346	$ 30,418	$ 26,773	$ 29,576	$ 26,546
Contributions in relation to the statutorily required contribution	$ (29,421)	$ 33,559	$ 29,477	$ (27,724)	$ (26,546)
Contribution deficiency (excess)	$ 925	$ (3,141)	$ (2,704)	$ 1,852	$ -
Employer's covered-employee payroll	$ 412,002	$ 419,483	$ 369,799	$ 389,376	$ 372,838
Contributions as a percentage of covered-employee payroll	7.14%	8.00%	7.97%	7.60%	7.12%

* Complete Data for this Schedule is not available prior to 2015

Data reported is measured as of 7/1/2018, 7/1/2017, 7/1/2016, 7/1/2015, 7/1/2014.

See independent auditor's report and notes to financial statements.

Education Standards and Practices Board
Required Supplementary Information
For the Year Ended June 30, 2019

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

	2019	2018
Employer's proportion of the net OPEB liability (asset)	0.037653%	0.038775%
Employer's proportionate share of the net OPEB liability (asset)	$ 29,654	$ 30,671
Employer's covered-employee payroll	$ 412,002	$ 419,483
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.19%	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	61.89%	59.78%

* Complete Data for this Schedule is not available prior to 2017

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

	2019	2018
Statutorily required contribution	$ 4,833	$ 4,876
Contributions in relation to the statutorily required contribution	$ (4,711)	$ 5,373
Contribution deficiency (excess)	$ 122	$ (497)
Employer's covered-employee payroll	$ 412,002	$ 419,483
Contributions as a percentage of covered-employee payroll	1.14%	1.28%

* Complete Data for this Schedule is not available prior to 2017

Data is reported is measured as of 07/1/2018, 7/1/2017.

See independent auditor's report and notes to financial statements.

Education Standards and Practices Board
Statement of Revenues, Expenditures, and Changes in Fund Balances
Comparison to Budget - General Fund
For the Year Ended June 30, 2019

	Budget (Original & Final)	Actual	Budget Variance
Revenues:			
Licensing Fees	$ 649,000	$ 696,947	$ 47,947
Fingerprinting	65,000	88,180	23,180
Fines	1,000	950	(50)
Late Fees	25,000	25,700	700
National Board PTS	60,000	92,245	32,245
Investment Earnings	5,000	9,375	4,375
Total Revenues	805,000	913,397	108,397
Expenditures:			
Advertising	1,000	825	175
Board Expenses	42,000	19,308	22,692
Credit Card Fees	22,250	21,786	464
Consulting Services	12,000	14,113	(2,113)
Dues & Memberships	13,000	13,017	(17)
Fingerprinting Expense	75,000	82,418	(7,418)
ITD Support	20,000	17,766	2,234
Legal Fees	15,000	14,052	948
National Board PTS	32,000	59,250	(27,250)
Office Equipment & Maintenance	400	7,163	(6,763)
Office Supplies	10,000	5,322	4,678
Online Application Program	15,000	14,483	517
Postage	10,000	8,584	1,416
Program Approval	9,000	5,993	3,007
Property & Liability Insurance	2,100	1,434	666
Rent	21,000	20,898	102
Rules	3,000	-	3,000
Salaries, Payroll Taxes, and Benefits	509,076	505,706	3,370
Staff Education & Training	4,500	2,318	2,182
Staff Travel & Expenses	9,500	4,652	4,848
Telephone	4,000	3,429	571
Unemployment Reserve	1,800	-	1,800
Web Design/Computer Programming	-	118	(118)
Total Expenditures	831,626	822,635	8,991
Excess of Revenues Over Expenditures	(26,626)	90,762	117,388
Other Financing Sources (Uses)			
Transfers In (Out)	65,000	61,582	(3,418)
Total Other Financing Sources (Uses)	65,000	61,582	(3,418)
Net Change in Fund Balances	38,374	152,344	113,970
Fund Balance - Beginning of Year	922,578	922,578	-
Fund Balance - End of Year	$ 960,952	$ 1,074,922	$ 113,970

The accompanying notes are an integral part of these financial statements.

Education Standards and Practices Board
Statement of Revenues, Expenditures, and Changes in Fund Balances
Comparison to Budget - Special Revenue Fund
For the Year Ended June 30, 2019

	Budget (Original & Final)	Actual	Budget Variance
Revenues:			
Grant Revenue	$ -	$ 1,050,000	$ 1,050,000
Investment Earnings	-	345	345
Miscellaneous	-	24	24
Total Revenues	-	1,050,369	1,050,369
Expenditures:			
Coordinator Travel	10,000	6,747	3,253
Coaches Academy	85,000	64,900	20,100
ITD Support	17,000	10,809	6,191
Manual Training & Course Responders	16,000	11,745	4,255
Professional Development	105,000	103,825	1,175
Mentor Stipends	520,000	526,745	(6,745)
Mentor Training	100,000	82,795	17,205
Miscellaneous Expense	30,000	16,252	13,748
Office Equipment & Maintenance	1,000	145	855
Rent	5,100	5,022	78
Salaries and Benefits	240,000	215,603	24,397
Seminars	20,000	15,943	4,057
Special Projects (Beginning Teacher Networks)	70,000	75,623	(5,623)
Sub Reimbursement	200,000	39,232	160,768
Advanced Coach Training	60,000	42,033	17,967
Total Expenditures	1,479,100	1,217,419	261,681
Excess of Revenues Over Expenditures	(1,479,100)	(167,050)	1,312,050
Other Financing Sources (Uses)			
Transfers In (Out)	(73,955)	(61,582)	12,373
Total Other Financing Sources (Uses)	(73,955)	(61,582)	12,373
Net Change in Fund Balances	(1,553,055)	(228,632)	1,324,423
Fund Balance - Beginning of Year	623,451	623,451	-
Fund Balance - End of Year	$ (929,604)	$ 394,819	$ 1,324,423

The accompanying notes are an integral part of these financial statements.

NOTE 1 CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM MAIN AND OPEB

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Board adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund and the special revenue fund. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the Board at the revenue and expenditure function/object level.
- The current budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

HK | HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

204 East Main Street
Mandan, ND 58554

701-663-9345
866-861-7169

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*

Board of Directors
Education Standards and Practices Board
Bismarck, 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 Education Standards and Practices Board, Bismarck, North Dakota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Education Standards and Practices Board's basic financial statements and have issued our report thereon dated February 28, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Education Standards and Practices Board'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 Education Standards and Practices Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Education Standards and Practices Board'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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying schedule of findings 2019-001, 2019-002 and 2019-003 to be material weaknesses.

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Education Standards and Practices Board'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*.

Education Standards and Practices Board's Response to Findings

Education Standards and Practices Board's responses to the findings identified in our audit are described in the accompanying schedule of findings. Education Standards and Practices Board's responses were 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.

Haga Kommer, Ltd.

Haga Kommer, Ltd
Mandan, North Dakota
April 6, 2023

Education Standards and Practices Board
Schedule of Findings
For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	
Governmental Activities & Major Funds	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Control deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

Finding 2019-001: Segregation of Duties

Condition – The entity has a lack of segregation of duties in certain areas due to a limited number of individuals involved.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has control of a transaction from inception to completion.

Cause – There is a limited number of staff members available for these duties.

Effect – There is limited segregation of duties due to the small number of employees being responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. Due to the size of the entity, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

Recommendation – The board should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the board's knowledge of matters relating to the organization's operations.

Management Response – We are aware of the condition, and it is not feasible to add staff to completely segregate duties.

Finding 2019-002: Preparation of Financial Statements and Audit Notes

Condition – The financial statements and related notes are prepared by the entity's auditors.

Criteria – An appropriate system of internal controls requires that the entity must make a determination that the financial statements are properly stated according to GAAP requirements. This requires the entity to maintain knowledge of current accounting principles and required financial statement disclosures.

Cause – Ongoing changes in the reporting and disclosure requirements make it difficult to maintain knowledge of current accounting standards with limited time available to the accounting department.

Effect – An appropriate system of internal controls is not present to make a determination that financial statements are properly stated in compliance with GAAP requirements.

Recommendation – Compensating controls over financial statement disclosure requirements could be provided by the use of current disclosure checklists or the outsourcing of the financial statement preparation or review function.

Management Response – We are aware of the condition and will review the statements and notes prepared.

Finding 2019-003: Journal Entries

Condition – Significant journal entries were required to be made during the audit to present accurate financial statements.

Criteria – The entity is required to establish internal controls and procedures which allow it to determine that the general ledger accounts are properly reflected according to generally accepted accounting principles.

Cause – Staff was not recording accounts receivable, accounts payable, prepaid expenses and pension liability year-end accrual adjustments.

Effect – The amount of journal entries made has a material effect on the financial statements.

Recommendation – Management should review all accounts throughout the year and verify that all general ledger accounts are properly reconciled and adjusted for accruals at year-end.

Management Response – We are aware of the condition and will more accurately monitor the monthly and non-monthly investment income and all regular investment accounts. We will monitor our year-end transactions and make sure to account for necessary items and make journal entries before the fiscal year ends.

Education Standards and Practices Board
Auditor's Specific Comments Requested by the North Dakota
Legislative Audit and Fiscal Review Committee
June 30, 2019

The Legislative Audit and Fiscal Review Committee requires that a summary of certain items be completed by independent certified public accountants performing audits of state agencies. The items and our responses are as follows:

Purpose of the audit – To determine that the financial statements are free from material misstatement

Type of opinion – Unmodified

Summary of findings/ recommendations:

1. 2019-001 – Material weakness – Segregation of duties – See page 27 of the audit report
2. 2019-002 – Material weakness – Preparation of financial statements and audit notes – See page 27 of the audit report
3. 2019-003 – Material weakness – Journal entries – See page 28 of the audit report

Status of prior audit recommendations:

1. 2018-001 – Material weakness – Segregation of duties – Repeated in current year
2. 2018-002 – Material weakness – Preparation of financial statements and audit notes – Repeated in current year
3. 2018-003 – Material weakness – Journal entries – Repeated in current year
4. 2018-004 – Material weakness – Deposits

Explanation of significant audit adjustments and corrected or uncorrected misstatements:

- Nothing significant to report

Disagreements with management or difficulties encountered in performing the audit:

- None

Other items to highlight in the report:

- None

Cost of the audit:

1. Current audit – $9,200

2. Prior audit – $7,500

HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

204 East Main Street
Mandan, ND 58554

701-663-9345
866-861-7169

Board of Directors
Education Standards and Practices Board
Bismarck, North Dakota

We have audited the financial statements of the governmental activities and each major fund of the Education Standards and Practices Board for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Education Standards and Practices Board are described in Note 1 to the financial statements. As described in Note 1 to the financial statements. We noted no transactions entered into by the Education Standards and Practices Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We believe that the accounting estimates used as of June 30, 2019 are reasonable in all material respects.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule of adjusting entries summarizes the adjustments and we considered the net effect of all the adjusting entries to be material to the financial statements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 6, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

This information is intended solely for the use of the governing board and management of Education Standards and Practices Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Haga Kommer, Ltd.

Haga Kommer, Ltd
Mandan, North Dakota
April 6, 2023

ND EDUCATION STANDARDS & PRACTICES BOARD
Adjusting Journal Entries
June 30, 2019

Account	Description	Debit	Credit	Net Income Effect
HK-1				
To reclass CCU manual JE				
10-105.0	13 MT CD 1.883%	$ 34,259	$ -	
10-103.0	Unemployment .25%	-	34,259	
Total		**34,259**	**34,259**	$ -
HK-2				
To Reverse JEs Made to Retained Earnings				
10-301.0	Retained Earnings	1,650	-	
10-676.0	Unemployment Reserve	-	1,650	
Total		**1,650**	**1,650**	**1,650**
HK-3				
Reverse prior year deferred contributions NDPERS				
30-480.0	Net Pension Liability - PERS	29,811	-	
30-101.0	Deferred Outflow - PERS	-	29,811	
Total		**29,811**	**29,811**	-
HK-4				
Entry for current year PERS				
30-480.0	Net Pension Liability - PERS	-	45,754	
30-649.0	Pension Expense - PERS	107,202	-	
30-101.0	Deferred Outflow - PERS	-	44,429	
30-405.0	Deferred Inflow - PERS	-	17,019	
Total		**107,202**	**107,202**	**(107,202)**
HK-5				
Misc Entry to adjust NPL				
30-480.0	Net Pension Liability - PERS	-	390	
30-649.0	Pension Expense - PERS	390	-	
Total		**390**	**390**	**(390)**
HK-6				
Deferral of current year contributions (PERS)				
30-101.0	Deferred Outflow - PERS	35,220	-	
30-649.0	Pension Expense - PERS	-	35,220	
Total		**35,220**	**35,220**	**35,220**
HK-7				
Reverse prior year contributions OPEB				
30-490.0	Net Pension Liability - OPEB	4,782	-	
30-103.0	Deferred Outflow - OPEB	-	4,782	
Total		**4,782**	**4,782**	-
HK-8				
Entry for current year OPEB				
30-490.0	Net Pension Liability - OPEB	-	3,694	
30-650.0	Pension Expense - OPEB	3,598	-	
30-103.0	Deferred Outflow - OPEB	284	-	
30-406.0	Deferred Inflow - OPEB	-	188	
Total		**3,882**	**3,882**	**(3,598)**
HK-9				
Misc Entry to adjust NPL - OPEB				
30-490.0	Net Pension Liability - OPEB	-	71	
30-650.0	Pension Expense - OPEB	71	-	
Total		**71**	**71**	**(71)**
HK-10				
Deferral of current year contributions (OPEB)				
30-103.0	Deferred Outflow - OPEB	4,697	-	
30-650.0	Pension Expense - OPEB	-	4,697	
Total		**4,697**	**4,697**	**4,697**

Account	Description	Debit	Credit	Net Income Effect
HK-11				
To adjust Interest Income out of License Fees				
10-501.0	License Fee	441	-	
10-505.0	Interest Income	-	441	
Total		**441**	**441**	-
HK-12				
To adjust Interest Income out of Grant Revenue				
20-502.0	Grant Revenue	249	-	
20-505.0	Interest Income	-	249	
Total		**249**	**249**	-
HK-13				
To adjust Due to General from Grant				
10-140.0	Due From TSS Grant	-	450	
20-440.0	Due to ND ESPB	450	-	
20-601.0	Administration	-	450	
10-500.0	ADM TS Fee	450	-	
Total		**900**	**900**	-
HK-14				
Reverse AR AJE from prior year				
20-502.0	Grant Revenue	500,000	-	
20-130.0	Accounts Receivable	-	500,000	
Total		**500,000**	**500,000**	**(500,000)**
HK-15				
To record A/R at year end				
10-510.0	NBPTS (Flow)	-	52,325	
10-120.1	Account Receivables	52,325	-	
Total		**52,325**	**52,325**	**52,325**
HK-16				
To Adjust for IRS Payments in May 2019 incorrectly recorded				
10-100.0	Gate City Checking	7,568	-	
10-505.1	Miscellaneous Income	-	7,568	
20-100.0	Gate City Checking	2,622	-	
20-502.0	Grant Revenue	-	2,622	
Total		**10,190**	**10,190**	**10,190**
HK-17				
To adjust Grant revenue to actual				
20-505.1	Miscellaneous Income	-	24	
20-502.0	Grant Revenue	24	-	
Total		**24**	**24**	-
HK-18				
To record CY Fixed Asset Additions				
10-115.0	Fixed Assets	594	-	
10-115.0	Fixed Assets	6,569	-	
10-310.0	Investment in General Fixed Assets	-	7,163	
Total		**7,163**	**7,163**	-
HK-19				
To record CY Disposals				
10-113.1	Accumulated Depreciation - Fixed Assets	325	-	
10-115.0	Fixed Assets	-	325	
Total		**325**	**325**	-
HK-20				
To record CY Depreciation				
10-311.0	Investment in Grant Fixed Assets	2,007	-	
10-113.2	Accumulated Depreciation - Grant Fixed Assets	-	2,007	
10-113.1	Accumulated Depreciation - Fixed Assets	-	4,960	
10-310.0	Investment in General Fixed Assets	4,960	-	
Total		**6,967**	**6,967**	-

Account	Description	Debit	Credit	Net Income Effect
HK-21				
Reverse AP AJE from prior year.				
20-420.0	Accounts Payable	28,319	-	
20-646.0	New Teacher CTR	-	13,800	
20-610.0	Mentor Stipends	-	2,295	
20-612.0	Supplies	-	10,257	
20-628.0	Mentor Training	-	119	
20-626.0	Trainer Expense	-	931	
20-603.0	ITD	-	917	
Total		**28,319**	**28,319**	**28,319**
HK-22				
To adjust investments to actual year end balances				
10-114.0	Securian 3.544%	745	-	
10-113.0	Edward Jones	571	-	
10-505.0	Interest Income	428	-	
10-109.1	1st Community Credit (17)	313	-	
10-102.0	Dakota Community	-	780	
10-102.6	Dakota Community	-	1,343	
10-110.2	US Bancorp Investment	66	-	
Total		**2,123**	**2,123**	**(428)**
HK-23				
Entry to adjust interest not recorded for Gate City Savings				
10-101.1	Gate City Savings	86	-	
10-505.0	Interest Income	-	86	
Total		**86**	**86**	**86**
HK-24				
To adjust accrued leave at year end.				
10-475.0	Compensated Absences Payable	-	12,875	
10-200.0	Offset Comp Absences	12,875	-	
Total		**12,875**	**12,875**	**-**
HK-25				
Adjust retirement payable to year end balance				
10-440.0	Retirement Payable	2,742	-	
10-649.0	Retirement	-	2,742	
20-649.0	Retirement	827	-	
20-430.0	Retirement Payable	-	827	
Total		**3,569**	**3,569**	**1,915**
HK-26				
Reverse PY payables record CY Payables				
10-609.0	ITD Support	-	1,482	
10-633.0	Consulting Services	-	640	
10-659.0	Employee Conference Expenses	-	2,206	
10-617.0	Postage	-	13	
10-616.0	Office Supplies	-	343	
10-450.0	Accounts Payable	4,684	-	
10-609.0	ITD Support	1,480	-	
10-617.0	Postage	1,003	-	
10-680.0	Online App. Programming	1,403	-	
10-450.0	Accounts Payable	-	3,886	
Total		**8,570**	**8,570**	**798**
HK-27				
Record TSS A/P				
20-614.0	Trainer Expense	620	-	
20-612.0	Supplies	339	-	
20-610.0	Mentor Stipends	1,600	-	
20-615.0	Advanced Coach Training	2,323	-	
20-620.0	Mentor Training	56	-	
20-420.0	Accounts Payable	-	4,938	
Total		**4,938**	**4,938**	**(4,938)**

Account	Description	Debit	Credit	Net Income Effect
HK-28				
Adjust to get interfund transfers to balance				
10-511.0	Teacher Support System 5%	452	-	
10-510.0	NBPTS (Flow)	-	670	
10-500.0	ADM TS Fee	218	-	
Total		**670**	**670**	-
GRAND TOTAL		**$ 861,702**	**$ 861,702**	**$ (481,423)**