NORTH DAKOTA STATE BOARD OF LAW EXAMINERS
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE TWO YEARS ENDED JUNE 30, 2019

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Dakota State Board of Law Examiners
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of North Dakota State Board of Law Examiners, as of and for the two years ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the North Dakota State Board of Law Examiners' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the North Dakota State Board of Law Examiners as of June 30, 2019, and the respective changes in financial position thereof for the two years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the North Dakota State Board of Law Examiners adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, on our consideration of the North Dakota State Board of Law Examiners' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota State Board of Law Examiners' 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 State Board of Law Examiners' internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

December 3, 2019

As management of the North Dakota State Board of Law Examiners (Board), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the two-year period ending June 30, 2019 with comparative information for the prior two-year period ending June 30, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources as of June 30, 2019, by $1,046,428 (net position).
- The Board's total net position increased for the two-year period ending June 30, 2019, by $127,507.
- Fees collected by the Board for attorney licenses, nonresident and registered attorneys under Rule 3 of the Admission to Practice Rules, and foreign legal consultants under Rule 4 of the Admission to Practice Rules, are distributed under N.D.C.C. Section 27-12-04, with $75 of each fee remitted to the Association for operation of the lawyer discipline system, with 80% of the remaining amount remitted to the Association, and the Board retaining 20%. Effective September 1, 2007, fees collected for the temporary license for attorneys applying for admission are divided equally between the State Bar Association and the Board of Law Examiners.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to the North Dakota State Board of Law Examiner's basic financial statements. The Board's basic financial statement has three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

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 information on all of the Board's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The *statement of activities* presents information showing how the Board's net position changed during the two-year period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Board that are principally supported by attorney application and license fees revenue.

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, like other state and local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Board is a governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well *as balances of spendable resources* available at the end of the reporting period.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental fund statement of revenues, expenditures, and changes in fund balance and these financial statements provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Board is given the authority to collect fees from all applicants for admission to the Bar of North Dakota and attorneys licensed to practice law in the state, and expend those fees pursuant to N.D.C.C. Chapter 27-11. Under Rule 3, Admission to Practice Rules, the North Dakota Supreme Court, under its constitutional and rule-making authority, authorizes the Board to collect fees from attorneys not licensed in North Dakota who wish to appear in proceedings limited in duration. All fees are deposited according to N.D.C.C. Section 54-44-12.

Notes to the financial statements and other information. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Net Position as of June 30, 2019

	Governmental Activities 2019	Governmental Activities 2017
Current assets	$ 1,212,240	$ 1,067,667
Total Assets	1,212,240	1,067,667
Deferred Outflow of Resources	54,298	36,085
Liabilities		
Current liabilities	37,695	34,980
Long term liabilities	155,705	122,168
Total liabilities	193,400	157,148
Deferred Inflows of Resources	26,710	22,390
Net Position		
Unrestricted	1,046,428	924,214
Total Net Position	$ 1,046,428	$ 924,414

Changes in Net Position
For the Two Years Ended June 30, 2019

	Governmental Activities 2019	Governmental Activities 2017
Revenues		
General Revenues		
Interest and dividends on investments	$ 5,437	$ 767
Program Revenues		
Attorney's license fees	2,501,748	2,497,439
Registration fees	4,560	4,940
Temporary license fees	3,100	3,300
Section and bar foundation membership fees	66,835	65,923
Pro bono fund contributions	8,848	9,885
Examination, information and motion fees	133,350	145,850
Sale of attorney directories	-	600
Other income	6,559	4,037
Total revenues	2,730,437	2,732,741
Expenses		
Governmental activities		
Regulatory program	2,602,930	2,639,267
Total expenses	2,602,930	2,639,267
Increase (decrease) in net position	127,507	93,474
Net position - beginning of period, as originally reported	924,214	830,740
GASB 75 Adjustment - see Note 10	(5,293)	-
Net position - beginning of period	918,921	830,740
Net position - end of period	$ 1,046,428	$ 924,214

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a governmental entity's financial position. In the case of the Board, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by $1,046,428 on June 30, 2019, the end of the two-year period.

The majority of the Board's net position are represented by cash and investments. The Board uses these assets to administer an examination to individuals who have applied to become admitted and licensed to practice law in the state, conduct background investigations of those individuals applying for admission, licensing admitted attorneys, and educating staff and Board members on issues concerning testing, character and fitness, and the protection of the public.

Financial Analysis of Governmental Funds

As noted earlier, the Board used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Board's *governmental funds* is to provide information on near-term inflows, outflow, and balances of spendable resources, which is useful in assessing the Board's financing requirements.

Factors Affecting Revenues

The revenue of the Board relies heavily on the number of attorneys licensed to practice law in North Dakota, and those wanting to be licensed in the state. This number has remained relatively stable in the past few years, and by all indications will not have a marked increase in the near future. The number of law students enrolled in the state's law schools, the population of the state, and the market economy all affect the ability to attract and retain attorneys in the state.

Requests for Information

This financial report is designed to provide a general overview of the Board's finances for those with an interest. Questions or requests for additional financial information should be addressed to the State Board of Law Examiners, 600 East Boulevard Avenue, Bismarck, ND 58505-0530.

NORTH DAKOTA STATE BOARD OF LAW EXAMINERS
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS	
Cash and cash equivalents	$ 912,642
Investments	299,598
Capital assets:	
Equipment	40,481
Less accumulated depreciation	(40,481)
Total assets	1,212,240
DEFERRED OUTFLOW OF RESOURCES	
Cost sharing defined benefit plan - pension	52,599
Cost sharing defined benefit plan - OPEB	1,699
Total deferred outflow of resources	54,298
LIABILITIES	
Current liabilities	
Accounts payable	32,980
Compensated absences due within one year	4,715
Total current liabilities	37,695
Non-current liabilities:	
Compensated absences due in more than one year	4,714
Net pension liability	144,652
Net other post employment benefit liability	6,339
Total non-current liabilities	155,705
Total liabilities	193,400
DEFERRED INFLOWS OF RESOURCES	
Cost sharing defined benefit plan - pension	25,258
Cost sharing defined benefit plan - OPEB	1,452
Total deferred inflow of resources	26,710
NET POSITION	
Unrestricted	1,046,428
Total net position	$ 1,046,428

See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF LAW EXAMINERS
STATEMENT OF ACTIVITIES
FOR THE TWO YEARS ENDED JUNE 30, 2019

Functions/Programs Governmental Activities:	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue
Regulatory program	$ 2,602,930	$ 2,725,000	$ 122,070
General revenues:			
Unrestricted investment earnings			5,437
Total change in net position			127,507
Net position, beginning of year, as originally reported			924,214
GASB 75 implementation - see Note 10			(5,293)
Net position, beginning of year, restated			918,921
Net position, end of year			$1,046,428

NORTH DAKOTA STATE BOARD OF LAW EXAMINERS
BALANCE SHEET
JUNE 30, 2019

ASSETS	
Cash and cash equivalents	$ 912,642
Investments	299,598
Total assets	$1,212,240
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	$ 32,980
Total liabilities	32,980
Fund Balance	
Assigned	640,000
Unassigned	539,260
Total fund balance	1,179,260
Total liabilities and fund balance	$1,212,240

Reconciliation of the Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balance	$1,179,260
Deferred outflow - pension	52,599
Deferred outflow - OPEB	1,699
Liability for compensated absences	(9,429)
Net pension liability	(144,652)
Net other post employment benefit liability	(6,339)
Deferred inflow - pension	(25,258)
Deferred inflow - OPEB	(1,452)
Net position of governmental activities	$1,046,428

NORTH DAKOTA STATE BOARD OF LAW EXAMINERS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE TWO YEARS ENDED JUNE 30, 2019

REVENUES	
Annual license fees	$ 2,501,748
Registration fees	4,560
Temporary license fees	3,100
Section and bar foundation membership fees	66,835
Pro bono fund contributions	8,848
Interest and dividends	5,437
Examination, information and motion fees	133,350
Other income	6,559
Total revenues	2,730,437
EXPENDITURES	
$75 Statutory remittance for lawyer discipline	510,469
Remittance of annual license fees	1,592,851
Remittance of registration fees	2,928
Remittance of temporary license fees	1,550
Other remittances to State Bar Association	78,956
Salaries and fringe benefits	256,409
Bar exam fees and supplies	65,037
Appeals and formal proceedings	13,542
Bar board members expenditures	12,145
Insurance	2,346
Computer fees	5,143
Office supplies	3,244
Professional fees	7,925
License expenditures	7,253
Conference expenditures	17,422
Postage and printing	8,286
Telephone	1,796
Miscellaneous expense	22
Total expenditures	2,587,324
Excess of revenues over expenditures	143,113
Fund balance - beginning of period	1,036,147
Fund balance - end of period	$ 1,179,260

See Notes to the Financial Statements

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities For the Two Years Ended June 30, 2019

Net changes in fund balance	$	143,113
Change in deferred outflow - pension		16,514
Change in deferred outflow - OPEB		611
Change in compensated absences liability		(2,510)
Change in net pension liability		(25,943)
Change in net other post employment benefit liability		42
Change in deferred inflow - pension		(2,868)
Change in deferred inflow - OPEB		(1,452)
Change in net position of governmental activities	$	127,507

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board was created by North Dakota statute to carry out duties imposed upon it by such statute. The main duties of the Board are administering public examinations for admission to the bar and collection of annual fees for licenses to practice law. The Board consists of three members who are appointed by the Supreme Court.

In accordance with GASB Statement No. 61 for financial reporting purposes, the North Dakota State Board of Law Examiners (the Board) includes all funds, programs, and activities over which it is financially accountable. The Board does not have any component units as defined by the Governmental Accounting Standards Board, and is not a component unit of another reporting entity. Criteria used to determine a potential component unit includes: appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Board.

Government-Wide and Fund Financial Statements

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the Board. The Board reports all activities as governmental activities, which are financed through fees and licenses. The Statement of Net Position presents the reporting entity's assets, deferred outflow of resources, liabilities, and deferred inflows of resources with the difference reported as net position. The net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net position consists of funds received that are restricted for a specific purpose.

Unrestricted net position consists of net position which does not meet the definition of the preceding categories. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include license renewals and other fees.

Separate fund financial statements are provided for the Board's governmental fund.

Fund Accounting Structure

The Board uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The Board reports the operating fund as a major governmental fund. It is used to account for the collection of fees, license renewals, and transactions relating to the practice of law within the state of North Dakota.

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 requires 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 of Directors – the Board's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes 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 specific purposes, but are neither restricted nor committed. The Board has authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the fund.

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.

Measurement Focus and Basis of Accounting

The government-wide statements are reported using the economic resources management 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 as 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.

All revenues are determined to be available if collected within one year of fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due and payable.

Cash and Cash Equivalents

Cash and cash equivalents consists of funds on deposit in checking and savings accounts.

Investments

Investments include certificates of deposit that are reported at cost. All investment income is recognized in the statements of revenues, expenditures and changes in fund balance.

Capital Assets

Capital assets, which consist of software, are valued at historical cost or at estimated historical cost if actual historical cost is not available.

Fixed assets in governmental funds are recorded as expenditures in the funds used to acquire them in the governmental fund financial statements. Capital assets, along with accumulated depreciation and depreciation expense are reported in the applicable governmental activities column in the government-wide financial statements.

Capital assets are depreciated using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The Board has two items that qualify for reporting in this category named *cost sharing defined benefit plan – pension* and *cost sharing defined benefit plan – OPEB*, which represents actuarial differences within NDPERS pension and OPEB plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board has two items that qualify for reporting in this category named *cost sharing defined benefit plan – pension* and *cost sharing defined benefit plan – OPEB*, which represents actuarial differences within the NDPERS pension and OPEB plan as well as amounts paid to the plan after the measurement date. See notes 7 and 8 for further details.

Accrued Compensated Absences

The Board allows employees to accrue annual leave at a variable rate between one and two days per month based on years of service. In general, accrued annual leave cannot exceed thirty days at each calendar year end. Employees are paid for unused annual leave upon termination or retirement.

Sick leave is accrued at a variable rate between one and one and a half days per month without limitation on the amount that can be accumulated. Employees vest in sick leave at ten years of service at which time the Board is liable for ten percent of the employee's accumulated unused sick leave.

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' 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 Benefits (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.

Budgets

A budget is not legally required for the North Dakota State Board of Law Examiners.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of New Accounting Principle

The Organization implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* during the year ended June 30, 2019. GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to state and local government employers. This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. In addition, for defined benefit plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

NOTE 2 DEPOSITS

Custodial Credit Risk – Deposits

Custodial credit risk is risk associated with the failure of a depository financial institution to recover its deposits or collateralized securities that are in the possession of outside parties. This includes coverage by the Federal Deposit Insurance Corporation (FDIC) or pledge of securities.

At June 30, 2019, the carrying amount of the Board's deposits was $1,212,240 and the bank balance was $1,221,570. The difference results from checks outstanding or deposits not yet processed. These deposits are exposed to custodial credit risk as uninsured or uncollateralized. As of June 30, 2019, $844,132 of the Board's bank balance was uninsured or uncollateralized. This amount consists of the balance that is deposited with the Bank of North Dakota as of June 30, 2019. The Bank of North Dakota is a state owned bank that does not participate in the FDIC program. These deposits are backed by the full faith and credit of the State of North Dakota.

NOTE 3 CAPITAL ASSETS

The following is a summary of the governmental activities capital assets:

	Balance 7/1/2017	Additions	Retirements	Balance 6/30/2019
Software	$ 40,481	$ -	$ -	$ 40,481
Less accumulated depreciation	(40,481)	-	-	(40,481)
Net capital assets	$ -	$ -	$ -	$ -

A total of $0 in depreciation for the two years ended June 30, 2019 was charged to the regulatory function.

NOTE 4 ACCRUED COMPENSATED ABSENCES

A summary of changes in accrued compensated absences for the two years ended June 30, 2019 is as follows:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Compensated absences	$ 6,919	$ 12,350	$ (9,840)	$ 9,429	$ 4,715

NOTE 5 FUND BALANCE

At June 30, 2019, a summary of the governmental fund balance classifications are as follows:

Assigned	
One fiscal year of operating expenses without State Bar Association of North Dakota payments	$ 300,000
Litigation/Attorney's Fees Reserves	200,000
Employee Liability	20,000
Discipline/Lawyer's Assistance	50,000
Special Projects	25,000
Technology Upgrades	45,000
Total Assigned	640,000
Unassigned	539,260
Fund Balance	$ 1,179,260

NOTE 6 REMITTANCES TO STATE BAR ASSOCIATION OF NORTH DAKOTA

The Board is required by statute to remit $75 of every annual license fee (resident and nonresident) collected to the State Bar Association of North Dakota (SBAND) for the lawyer discipline system, and 80% of the remainder of the annual license fees collected to the SBAND for its operations. Registration fees paid by nonresident attorneys are also remitted to the SBAND in the same manner as the annual license fees. For temporary license fees collected, the Board remits 50% to the SBAND. The Board also remits 100% of section and bar foundation membership fees and 100% of contributions for the pro bono fund to the SBAND.

SBAND remittance for two years ended June 30, 2019:

$75 Lawyer discipline statutory contribution	$ 510,469
Annual license fees	1,592,851
Registration fees	2,928
Temporary license fees	1,550
Section membership fees	35,305
Bar foundation membership fees	31,530
Pro bono fund contributions	8,848
Other	3,273
Total SBAND remittance	$ 2,186,754

NOTE 7 PENSION PLAN

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.

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; and 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 equals or exceeds 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 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.

Member and Employer Contributions

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

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 Employer reported a liability of $144,652 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculated the net pension liability was based on the Employer'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 Employer's proportion was 0.008571%, which was an increase of 0.00037% from its proportion measured as of June 30, 2017.

For the two years ended June 30, 2019, the Employer recognized pension expense of $36,112. At June 30, 2019, the Employer 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	$ 383	$ (4,921)
Changes of assumptions	52,216	(2,065)
Net difference between projected and actual earnings on pension plan investments	-	(704)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(17,568)
Employer contributions subsequent to the measurement date	6,175	-
Total	$ 58,774	$ (25,258)

$6,175 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the two years ending June 30, 2021.

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

Year ended June 30:	
2020	$ 9,421
2021	7,509
2022	6,235
2023	4,129
2024	47

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%
	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%
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 with ages 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 Retiree Mortality Table set back one year for males (no set-back for females) multiplied by 125%.

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%
Global Real Assets	19%	5.11%

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).

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Employer'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 percent) or 1-percentage-point higher (7.32 percent) 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	$ 196,555	$ 144,652	$ 101,340

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain this report should be addressed to the Executive Director - NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 8 OTHER POST EMPLOYMENT BENEFITS

North Dakota Public Employees Retirement System

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, vison 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 the 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 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.

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 Employer reported a liability of $6,339 respectively, 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 Employer'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 0.029806 percent.

For the two years ended June 30, 2019, the Employer recognized OPEB expense of $1,226. At June 30, 2019, the Employer 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	$ 190	$ (131)
Changes of assumptions	520	-
Net difference between projected and actual earnings on OPEB plan investments	-	(136)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(1,185)
Employer contributions subsequent to the measurement date	989	-
Total	$ 1,699	$ (1,452)

$1,699 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the two years ending June 30, 2021.

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

Year ended June 30:		
2020	$	(149)
2021		(149)
2022		(149)
2023		(89)
2024		(100)
Thereafter		(106)

Actuarial Assumptions

The total OPEB 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	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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50%. 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, 2019, 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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net OPEB liability	$ 8,019	$ 6,339	$ 4,897

OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director - NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 9 RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions, injuries to employees and natural disasters. The Board participates in the following funds or pools:

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

The North Dakota Workforce Safety & Insurance is 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 there have been no claims resulting from these risks in any of the past three fiscal years.

NOTE 10 PRIOR PERIOD ADJUSTMENT

The Board implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As a result, beginning net position has been restated to reflect the related net OPEB liability and deferred outflows of resources as of July 1, 2017 as follows:

Net Position, July 1, 2017, as previously reported	$ 924,214
Restatement for OPEB:	
Net OPEB Liability	(6,381)
OPEB related Deferred Outflows of Resources	1,088
Net Position, July 1, 2017, restated	$ 918,921

NOTE 11 NEW ACCOUNTING PRONOUNCEMENTS

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 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. 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.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

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

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to Board's year end. Subsequent events have been evaluated through December 3, 2019, which is the date these financial statements were available to be issued.

NORTH DAKOTA STATE BOARD OF LAW EXAMINERS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.008571%	$ 144,652	$ 83,547	173.14%	62.80%
2018	0.008202%	131,828	95,459	138.10%	61.98%
2017	0.012180%	118,710	124,007	95.73%	70.46%
2016	0.012159%	82,677	109,150	75.75%	77.15%
2015	0.011357%	72,086	95,670	75.35%	77.70%

*****The Board implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

NORTH DAKOTA STATE BOARD OF LAW EXAMINERS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability	Employer's proportionate share of the net OPEB liability	Employer's covered-employee payroll	Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.029806%	$ 6,340	$ 83,547	7.59%	61.89%

***The Board implemented GASB Statement No. 75 for its fiscal year ended June 30, 2019. Information for the prior years is not available.

NORTH DAKOTA STATE BOARD OF LAW EXAMINERS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	$ 6,175	$ (6,175)	$ -	$ 86,728	7.12%
2018	5,949	(5,949)	-	83,547	7.12%
2017	6,798	(6,798)	-	95,459	7.12%
2016	8,829	(8,829)	-	124,007	7.12%
2015	6,225	(6,225)	-	109,150	5.70%

*****The Board implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

NORTH DAKOTA STATE BOARD OF LAW EXAMINERS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	$ 989	$ (989)	$ -	$ 86,728	1.14%

***The Board implemented GASB Statement No. 75 for its fiscal year ended June 30, 2019. Information for the prior years is not available.

NOTE 1 CHANGES OF ASSUMPTIONS

NDPERS Pension Plan

Amounts reported in 2019 and 2018 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 assumptions.

NDPERS 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 to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

BradyMartz

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
North Dakota State Board of Law Examiners
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 the major fund of North Dakota State Board of Law Examiners, as of and for the two years ended June 30, 2019, and the related notes to the financial statements, which collectively comprise North Dakota State Board of Law Examiners' basic financial statements, and have issued our report thereon dated December 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Dakota State Board of Law Examiners' 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 State Board of Law Examiners' internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota State Board of Law Examiners' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described as item 2019-003 in the accompanying schedule of findings and responses to be a material weakness.

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. We consider the deficiencies described as items 2019-001 and 2019-002 in the accompany schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

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

North Dakota State Board of Law Examiners' Responses to Findings

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. North Dakota State Board of Law Examiners' 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 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.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

December 3, 2019

2019-001: Preparation of Financial Statements

Criteria
An appropriate system of internal control requires the Board to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the Board's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition
The Board's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the Board does not have internal resources to prepare full-disclosure financial statements for external reporting.

Cause
The Board's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect
An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with accounting principles generally accepted in the United States of America. However, the Board is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation
We recommend that the Board reviews its current training system to determine if it is cost effective for the Board to obtain this knowledge internally. As a compensating control the Board should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions
Due to the financial, efficiency and time constraints, it has been determined by North Dakota State Board of Law Examiners' management that it is in the best interest of North Dakota State Board of Law Examiners and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.

2019-002: Segregation of Duties

Criteria
Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause
Size and budget constraints limiting the number of personnel within the accounting department.

Effect
The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation
The areas should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

Views of Responsible Officials and Planned Corrective Actions:
This condition is a repeat from the prior years and the board has segregated the accounting duties to the appropriate individuals to the extent possible. Because of the very limited number of staff available for the Board, all of the accounting duties cannot be totally segregated in such a way as to eliminate this reportable condition. The only alternative available to the board would be the hiring of additional staff, and current cash flows do not justify it. The board has reviewed the internal controls and procedures in place and believes the procedures in place provide adequate controls under these circumstances.

2019-003: Material Weakness – Journal Entries

Criteria
The Board is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition
During our audit, adjusting journal entries were proposed in order to properly reflect the financial statements in accordance to GAAP.

Cause
The Board's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on a GAAP basis for the implementation of new Governmental Accounting Standards Board (GASB) pronouncements.

Effect
An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with GAAP prior to the audit.

Recommendation
Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the entity reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. We also recommend accounting personnel adjust the pension accounts going forward on an annual basis.

Views of Responsible Officials and Planned Corrective Actions
Due to financial and efficiency constraints, as well as time constraints of the bookkeeper, it is the position of the North Dakota State Board of Law Examiners that it is in the best interest of the Board and all interested parties, to utilize the expertise of the auditor to determine and train the bookkeeper as is necessary for implementation of GASB Statement No. 68 and 75. The Board believes the current bookkeeper has done a good job reconciling all the accounts each year.