



Financial Statements
June 30, 2019

North Dakota Board of Nursing

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Financial Statements	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position.....	13
Statement of Cash Flows	14
Notes to Financial Statements	16
Required Supplementary Information	
Schedules of Employer Pension Liability and Contributions.....	33
Schedules of Employer OPEB Liability and Contributions.....	34
Notes to the Required Supplementary Information.....	35
Supplementary Information	
Schedule of Revenues and Expenses – General Fund – Budget and Actual	36
Board Members and Staff	38
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 <i>Government Auditing Standards</i>	39
Summary of Audit Findings	41



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of North Dakota Board of Nursing, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund and on the total business-type activities of North Dakota Board of Nursing as of June 30, 2019, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Board of Nursing's financial statements. The listing of Board Members and Staff and the budgetary comparison information shown on pages 36 through 38 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 17, 2020, on our consideration of North Dakota Board of Nursing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Board of Nursing's internal control over financial reporting and compliance.

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

Bismarck, North Dakota
January 17, 2020

As management of the North Dakota Board of Nursing (Board), we offer readers of the Board's financial statement this narrative and analysis of the financial activities of the Board for the fiscal year ending June 30, 2019. The analysis focuses on significant financial position, budget changes and variances from budget, and specific issues related to funds and the economic factors affecting the Board.

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

The Board licenses 16,778 registered nurses, 3,912 licensed practical nurses, 1,698 advanced practice nurses, and of those 1,202 have prescriptive authority.

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

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

Some characteristics of this model include:

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

Major activities of the Board include:

- Licensure and regulation of the practice of over 20,000 nurses and 1,000 Unlicensed Assistive Persons.
- Monitor nursing education programs for compliance with the law and rules.
- Collaboration and consultation with appropriate nursing and health care organizations and other affected parties in the establishment of standards for nursing practice.
- Collection and analysis of data regarding nursing education, nursing practice, and nursing resources.

Financial Highlights

- The liabilities and deferred inflows of resources of the Board exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$322,692.
- The Board's total net deficit increased by \$181,782.
- As of the close of the current fiscal year, the Board's net deficit balance for the general fund was (\$516,510).

Overview of the Financial Statements

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

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

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

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

The financial statements can be found on pages 11-15 of this report.

Enterprise Funds

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

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

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

The notes to the financial statements can be found on pages 16-32 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which can be found on pages 33-35.

Supplementary Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, which can be found on pages 36-38.

Government-wide Financial Analysis - As noted previously, net position may serve over time as a useful indicator of a government's financial position. For the Board, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(322,692) at the close of the most recent fiscal year.

**Condensed Balance Sheet
June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u> (Memorandum only)
Assets		
Current Assets	\$ 1,187,090	\$ 1,260,074
Noncurrent Assets	<u>114,758</u>	<u>104,636</u>
Total Assets	1,301,848	1,364,710
Deferred Outflows of Resources	<u>635,456</u>	<u>661,667</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 1,937,304</u></u>	<u><u>\$ 2,026,377</u></u>
Liabilities		
Current Liabilities	\$ 824,690	\$ 836,740
Noncurrent Liabilities	<u>1,374,173</u>	<u>1,300,322</u>
Total Liabilities	2,198,863	2,137,062
Deferred Inflows of Resources	<u>61,133</u>	<u>30,225</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>2,259,996</u></u>	<u><u>2,167,287</u></u>
Fund Net Position		
Net Investment in Capital Assets	21,252	28,561
Unrestricted	<u>(343,944)</u>	<u>(169,471)</u>
Total Net Deficit	<u><u>(322,692)</u></u>	<u><u>(140,910)</u></u>
Total Liabilities and Net Deficit	<u><u>\$ 1,937,304</u></u>	<u><u>\$ 2,026,377</u></u>

The largest portion of the Board's net deficit reflects the business-type activity of the collection of biennial renewal fees. The Board collects licensure renewal fees from approximately half of the estimated 20,000 licensees from October through December of each year. The licenses issued are valid for the following two calendar years.

Revenue is recognized when earned. Unearned revenue represents 25% of revenue collected during the calendar year preceding the report date and 75% of revenue collected during the current calendar year.

**Statement of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u> (Memorandum only)
Operating Revenues		
Professional fees	\$ 1,228,721	\$ 1,192,139
Center for nursing	217,400	234,625
NEL income	77,670	82,690
NNAAP testing	12,413	33,528
Total operating revenues	<u>1,536,204</u>	<u>1,542,982</u>
Operating Expenses		
Employee compensation and benefits	1,036,205	942,080
Board expenses	29,689	24,985
Rent expense	44,340	39,340
Professional fees	112,700	105,173
Printing and postage expense	10,227	11,065
Office expenses	17,053	22,361
Repairs and maintenance	14,032	6,717
Miscellaneous expenses	29,664	28,607
Depreciation expense	13,798	12,538
NNAAP testing	61,364	115,404
Employment credit expense	57,933	74,702
NEL transfer	77,670	82,690
Center for nursing	217,400	234,625
Total operating expenses	<u>1,722,075</u>	<u>1,700,287</u>
Operating Loss	<u>(185,871)</u>	<u>(157,305)</u>
Nonoperating Revenue		
Interest income	4,089	2,664
Gain on sale of fixed asset	-	1,200
Total nonoperating revenue	<u>4,089</u>	<u>3,864</u>
Change in Net Deficit	(181,782)	(153,441)
Net Deficit, Beginning of Year	<u>(140,910)</u>	<u>12,531</u>
Net Deficit, End of Year	<u>\$ (322,692)</u>	<u>\$ (140,910)</u>

Business-type Activity - Business-type activities increased the Board's net deficit by \$181,782.

The major fund of the Board is the general operating fund, which is funded through licensure and registration fees. At the end of the current fiscal year, the net deficit balance of the general fund was (\$516,510). A major factor in the increase in net deficit relates to the adjustment for the Employer Share of Net Pension Liability from NDPERS and the Implementation of GASB Statement No.75, (OPEB) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, due to long-term employee retirements and training of new hires, overlap and additional FTE's occurred as follows:

- One long-term administrative assistant transitioned from full-time to part-time effective January 1, 2019, and one full-time employee was hired on April 1, 2019 to address the workload for licensure staff, resulting in an additional 0.5 FTE from April 1, 2019 through June 30, 2019.
- One long-term accounting and licensure employee retired effective October 1, 2018, and they trained a new hire from July 1, 2018 through September 30, 2018.
- One long-term director employee retired effective February 1, 2019, and they trained a new hire from December 3, 2018 through January 31, 2019.

The Board's share of Net Pension Liability increased from 0.061735% for year-end 2018 to 0.065724% for year-end 2019. This increase is due to a change in the number of employees participating in the NDPERS Defined Benefit Plan versus the NDPERS Defined Contribution Plan. The Defined Contribution Plan is not included in the Net Pension Liability calculations. The Board's share of the Net OPEB liability was based on employer's share of covered payroll in the OPEB plan to the covered payroll of all participating OPEB employers; at June 30, 2019 the Board's proportion was 0.061706%.

During fiscal year 2018-19, the Board continued transition to the newly implemented Nurse Licensure Compact, which required staff resources related to education and training; alignment of operational, licensure, and compliance policy procedures; and relevant updates to the online application forms.

The Board continued to monitor increases in workload related to compliance and licensure. The Board noted consistent increases in numbers of potential violation reports and positive compliance-related responses on applications. In addition, contested cases and case complexity continued to increase, requiring additional staff and legal resources for investigations and dispositions. The Board continued to experience an increase in licensure numbers, and the five-year statistics indicated an increase from 17,387 to 20,987.

In 2018-2019, the Board continued work with Albertson Software Support to create and update program enhancements and online forms for applications to meet security requirements. Other purchases included a desk for a future hire in compliance and audio video equipment for the Board conference room.

The NEL Program is funded with a portion of the licensure renewal fees. For over 30 years, the NEL Program has been a viable resource for potential nursing students and nurses wishing to further their education. The loan disbursement for the past five years totals over \$454,679. The NEL may be repaid by nursing employment in North Dakota. The repayment rate is one dollar per hour of employment. The Board requires verification of actual hours worked for employment credit from the employer.

In July 2018, the Board motioned to discontinue serving as a third-party administrator for the National Nurse Aide Assessment Program (NNAAP) testing for the North Dakota Department of Health effective December 31, 2018. Historically, the Board was a vendor for this test which provided certification of individuals preparing to work as Certified Nurse Assistants. The Board's decision to discontinue the program included an analysis of workload, budget constraints, and reconsideration of programs not directly related to the Board mission. The analysis of the NNAAP test administration produced a significant net loss for the Board upon review of staff FTE, technology and maintenance, and operating expenses in comparison to revenue.

The ND Center for Nursing (CFN) was created in 2011 to facilitate ongoing research and development related to nursing workforce and provide for research, education, recruitment, retention, advocacy, and public policy through governing board and strategic planning leadership teams. The mission of the CFN is to provide a centralized coordinating organization for ND's nursing community and stakeholders. In 2012, the Board increased the RN and LPN renewal fee and licensure by endorsement fee by \$30 which was allocated to fund the initiation and development of the CFN. The Board sustained the allocation of \$30/fee to the CFN from 2012-2016. To sustain core operations of the Board, the CFN allocation was decreased to \$28/fee fiscal year 2016-17 and then decreased to \$25/fee for fiscal year 2017-18. This CFN allocation of \$25/fee was sustained for fiscal year 2018-19.

Capital Asset and Debt Administration

Capital Assets - The Board's net investment in capital assets for its business type activities as June 30, 2019 amounts to \$21,252 (net accumulated depreciation). This net investment in capital assets includes office equipment, furniture, and technology required to maintain the functions of the Board. Additional information on the Board's capital assets can be found in Note 5 Fixed Assets on page 21 of this report.

Long-Term Debt - At the end of the current fiscal year, the Board had total long-term debt of \$1,188,815. Of this amount, \$31,053 is comprised of compensated absences. The remaining amounts of \$1,109,164 is from the net pension liability and \$48,598 is from the net other post-employment benefit (OPEB) liability. The net pension and OPEB liability are resulted from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and new implementation of GASB Statement No. 75; which requires governmental agencies to report their proportionate share of pension expense and liabilities. Additional information on the Board's long-term debt can be found in Note 6 on page 22 of this report.

Factors Affecting Future Needs

Current and future needs impacting the Board financially include the following:

- Continued collaborations with Albertson's, Inc. to add and update online forms to comply with security issues, NLC statutes, and mandates from the 66th legislative session.
- Monitor ongoing technology needs for Board operations to maintain security and functionality of office (hardware, software, etc.)
- Succession planning of personnel.
- Monitor the need for additional FTE's and/or consultant to address compliance, licensure, and core operations workload.

As of June 30, 2019, the Board budget for the next fiscal year required the use of reserve funds for technology and consultation due to staff changes and needs related to online security. Effective July 1, 2019, the Board adjusted the allocation for the CFN replacing the per licensure fee with a set monthly contribution at a lesser amount. To address the consistent increase in compliance and licensure workload noted over the past FYs, one FTE was added starting August 1, 2019, to assist with compliance. In order to sustain the Board's financial stability with the increase in workload and technology needs, the Board initiated rule promulgation to adjust select licensure and registration fees to become effective July 1, 2020. The Board continues to strive for a financial balance to 1) maintain core operations to ensure secure online technology, high level customer service, and efficient processes; and 2) carry out all duties of the Board as mandated in the N.D.C.C. 43-12-08, including supporting projects pertaining to nursing education and practice.

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

North Dakota Board of Nursing
Statement of Net Position
June 30, 2019

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2019 Total</u>	<u>2018 Total (Memorandum only)</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 278,898	\$ 85,163	\$ 364,061	\$ 457,336
Certificates of deposit	726,422	-	726,422	723,543
Notes receivable - current portion	-	93,507	93,507	76,075
Accounts receivable	3,000	100	3,100	3,120
Total current assets	<u>1,008,320</u>	<u>178,770</u>	<u>1,187,090</u>	<u>1,260,074</u>
Noncurrent Assets				
Furniture and equipment, net of accumulated depreciation	21,252	-	21,252	28,561
Notes receivable, net	-	93,506	93,506	76,075
Total noncurrent assets	<u>21,252</u>	<u>93,506</u>	<u>114,758</u>	<u>104,636</u>
Deferred Outflows of Resources				
Other post-employment benefits	14,550	-	14,550	11,792
Pension plans	620,906	-	620,906	649,875
Total deferred outflows of resources	<u>635,456</u>	<u>-</u>	<u>635,456</u>	<u>661,667</u>
Total assets and deferred outflows of resources	<u>\$ 1,665,028</u>	<u>\$ 272,276</u>	<u>\$ 1,937,304</u>	<u>\$ 2,026,377</u>

North Dakota Board of Nursing
Statement of Net Position
June 30, 2019

	General	Nursing Education Loan Fund	2019 Total	2018 Total (Memorandum only)
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 19,315	\$ -	\$ 19,315	\$ 27,815
Accrued liabilities	12,104	-	12,104	15,654
Current portion of compensated absences payable	30,000	-	30,000	30,000
Unearned revenue	703,091	60,180	763,271	763,271
Total current liabilities	<u>764,510</u>	<u>60,180</u>	<u>824,690</u>	<u>836,740</u>
Noncurrent Liabilities				
Unearned revenue	167,080	18,278	185,358	203,664
Other post-employment benefits liability	48,598	-	48,598	46,080
Net pension liability	1,109,164	-	1,109,164	992,284
Compensated absences payable	31,053	-	31,053	58,294
Total noncurrent liabilities	<u>1,355,895</u>	<u>18,278</u>	<u>1,374,173</u>	<u>1,300,322</u>
Total liabilities	<u>2,120,405</u>	<u>78,458</u>	<u>2,198,863</u>	<u>2,137,062</u>
Deferred Inflows of Resources				
Other post-employment benefits	2,170	-	2,170	3,009
Pension plans	58,963	-	58,963	27,216
Total liabilities and deferred inflows of resources	<u>2,181,538</u>	<u>78,458</u>	<u>2,259,996</u>	<u>2,167,287</u>
Net Position				
Net investment in capital assets	21,252	-	21,252	28,561
Unrestricted	(537,762)	193,818	(343,944)	(169,471)
Total net deficit	<u>(516,510)</u>	<u>193,818</u>	<u>(322,692)</u>	<u>(140,910)</u>
Total liabilities, deferred inflows of resources, and net deficit	<u>\$ 1,665,028</u>	<u>\$ 272,276</u>	<u>\$ 1,937,304</u>	<u>\$ 2,026,377</u>

North Dakota Board of Nursing
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

	General	Education Loan Fund	2019 Total	2018 Total (Memorandum only)
Operating Revenues				
Professional fees	\$ 1,148,806	\$ 79,915	\$ 1,228,721	\$ 1,192,139
Center for nursing	217,400	-	217,400	234,625
NEL income	77,670	-	77,670	82,690
NNAAP testing	12,413	-	12,413	33,528
Total operating revenues	<u>1,456,289</u>	<u>79,915</u>	<u>1,536,204</u>	<u>1,542,982</u>
Operating Expenses				
Employee compensation and benefits	1,036,205	-	1,036,205	942,080
Board expenses	29,689	-	29,689	24,985
Rent expense	44,340	-	44,340	39,340
Professional fees	112,700	-	112,700	105,173
Printing and postage expense	10,227	-	10,227	11,065
Office expenses	17,053	-	17,053	22,361
Repairs and maintenance	14,032	-	14,032	6,717
Miscellaneous expense	29,661	3	29,664	28,607
Depreciation expense	13,798	-	13,798	12,538
NNAAP testing	61,364	-	61,364	115,404
NEL transfer	77,670	-	77,670	82,690
Center for nursing	217,400	-	217,400	234,625
Employment credit expense	-	57,933	57,933	74,702
Total operating expenses	<u>1,664,139</u>	<u>57,936</u>	<u>1,722,075</u>	<u>1,700,287</u>
Operating Income/(Loss)	<u>(207,850)</u>	<u>21,979</u>	<u>(185,871)</u>	<u>(157,305)</u>
Nonoperating Revenue				
Interest income	3,185	904	4,089	2,664
Gain on sale of fixed asset	-	-	-	1,200
Total nonoperating revenue	<u>3,185</u>	<u>904</u>	<u>4,089</u>	<u>3,864</u>
Change in Net Position	(204,665)	22,883	(181,782)	(153,441)
Net Deficit, Beginning of Year	<u>(311,845)</u>	<u>170,935</u>	<u>(140,910)</u>	<u>12,531</u>
Net Deficit, End of Year	<u><u>\$ (516,510)</u></u>	<u><u>\$ 193,818</u></u>	<u><u>\$ (322,692)</u></u>	<u><u>\$ (140,910)</u></u>

North Dakota Board of Nursing
Statement of Cash Flows
Year Ended June 30, 2019

	General	Nursing Education Loan Fund	2019 Total	2018 Total (Memorandum only)
Cash Flows from Operating Activities				
Receipts of professional fees	\$ 1,132,745	\$ 77,690	\$ 1,210,435	\$ 1,271,884
Receipts of NNAAP testing fees	12,413	-	12,413	31,253
Receipts of Center for nursing fees	217,400	-	217,400	234,625
Payment to Center for nursing	(217,400)	-	(217,400)	(234,625)
Payments to suppliers	(327,566)	(3)	(327,569)	(348,896)
Payments to employees	(890,479)	-	(890,479)	(791,762)
Net Cash Provided by (used for) Operating Activities	<u>(72,887)</u>	<u>77,687</u>	<u>4,800</u>	<u>162,479</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of furniture and equipment	-	-	-	1,200
Purchase of furniture and equipment	(6,489)	-	(6,489)	(15,420)
Net Cash Used for Capital and Related Financing Activities	<u>(6,489)</u>	<u>-</u>	<u>(6,489)</u>	<u>(14,220)</u>
Cash Flows from Investing Activities				
Issuance of notes receivable	-	(98,599)	(98,599)	(86,291)
Payment received on note receivable	-	5,803	5,803	14,630
Interest received	3,185	904	4,089	2,664
Purchase of certificates of deposit	(2,879)	-	(2,879)	(1,338)
Net Cash Provided by (used for) Investing Activities	<u>306</u>	<u>(91,892)</u>	<u>(91,586)</u>	<u>(70,335)</u>
Net Change in Cash and Cash Equivalents	(79,070)	(14,205)	(93,275)	77,924
Cash and Cash Equivalents, Beginning of Year	<u>357,968</u>	<u>99,368</u>	<u>457,336</u>	<u>379,412</u>
Cash and Cash Equivalents, End of Year	<u>\$ 278,898</u>	<u>\$ 85,163</u>	<u>\$ 364,061</u>	<u>\$ 457,336</u>
Schedule of Noncash Investing and Financing Activities				
Forgiveness of debt in exchange for hours worked	<u>\$ -</u>	<u>\$ 57,933</u>	<u>\$ 57,933</u>	

North Dakota Board of Nursing
Statement of Cash Flows
Year Ended June 30, 2019

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2019 Total</u>	<u>2018 Total</u> (Memorandum only)
Reconciliation of Operating Income/(Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income/(Loss)	\$ (207,850)	\$ 21,979	\$ (185,871)	\$ (157,305)
Adjustments to reconcile operating income/(loss)				
Depreciation	13,798	-	13,798	12,538
Adjustment to pension expense	171,905	-	171,905	145,635
Adjustment for OPEB expense	4,437		4,437	(8,957)
Employment credit expense	-	57,933	57,933	74,702
Changes in assets and liabilities				
Accounts receivable	-	20	20	(2,325)
Accounts payable	(8,500)	-	(8,500)	4,756
Compensated absences payable	(27,241)	-	(27,241)	12,341
Accrued liabilities	(3,550)	-	(3,550)	1,299
Unearned revenue	(15,886)	(2,245)	(18,131)	79,795
Net Cash Provided by (used for) Operating Activities	<u>\$ (72,887)</u>	<u>\$ 77,687</u>	<u>\$ 4,800</u>	<u>\$ 162,479</u>

Note 1 - Organization and Nature of Operations

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

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

Note 2 - Summary of Significant Accounting Policies

Reporting Entity

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

The Board reports the following major proprietary funds:

Proprietary Funds

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

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

Budget

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

Cash and Cash Equivalents

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

Certificates of Deposit

The Board's certificates of deposits and are reported at cost.

Fixed Assets and Depreciation

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

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

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

Furniture and Equipment

3-7 years

Notes Receivable

The Board's notes receivable are reported net of an allowance for doubtful notes.

Compensated Absences

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

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

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

Pensions

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

Other Postemployment 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.

Deferred Outflows and Inflows of Resources

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

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

Revenue Recognition

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

Estimates

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

Restricted Assets

Certain resources are set aside that have constraints placed on their use either; externally by creditors, grantors, contributors, or laws or regulations or other governments (e.g. Bond Covenants, Federal and State Grantors, Donations), or by law through constitutional provisions or enabling legislation (e.g. sales and use tax). These constraints can either be based on time, purpose, or time and purpose.

Note 3 - Deposits and Investments

Deposits

According to North Dakota Century Code 54-06-08.1, the Board may bank at the state-owned and operated Bank of North Dakota, without having collateral to secure the deposits. According to North Dakota's Century Code 54-44-12, the Board may also deposit moneys in any depository selected by the Board of Directors, however, these funds must be collateralized. The Board receives interest for funds on deposit in all accounts, except for its checking accounts. As of June 30, 2019, the Board has bank deposits with a carrying amount of \$364,061.

Cash deposits at the Bank of North Dakota recorded as cash and cash equivalents	\$ 299,715
Cash deposits at Kirkwood Bank and Trust recorded as cash and cash equivalents	<u>64,346</u>
	<u><u>\$ 364,061</u></u>

Custodial and Concentration of Credit Risk

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

Certificates of Deposit

As of June 30, 2019, the Board had certificates of deposit with a cost of \$726,422. These investments are held at the Bank of North Dakota, Kirkwood Bank and Trust, Dakota Community Bank, and BNC National Bank and consist of certificates of deposit with a maturity date of one year or less.

Certificates of Deposit at the Bank of North Dakota	\$ 201,334
Certificates of Deposit at Kirkwood Bank and Trust	271,170
Certificates of Deposit at Dakota Community Bank	177,270
Certificates of Deposit at BNC National Bank	<u>76,648</u>
	<u><u>\$ 726,422</u></u>

Interest Rate Risk – The Board does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All certificates of deposit mature within 1 year.

Note 4 - Notes Receivable

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

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

Notes receivable as of June 30, 2019 totaled the following:

Notes receivable	\$ 190,505
Allowance for doubtful notes	<u>(3,492)</u>
	187,013
Less current portion	<u>93,507</u>
	<u><u>\$ 93,506</u></u>

Note 5 - Fixed Assets

A summary of changes in fixed assets for the year ended June 30, 2019 is as follows:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19
Furniture and equipment	\$ 186,031	\$ 6,489	\$ -	\$ 192,520
Accumulated depreciation	<u>(157,470)</u>	<u>(13,798)</u>	<u>-</u>	<u>(171,268)</u>
	<u><u>\$ 28,561</u></u>	<u><u>\$ (7,309)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,252</u></u>

Note 6 - Long-Term Debt

Long-term debt consists partly of compensated absences and partly of the net pension liability. A summary of changes in long-term debt for the year ended June 30, 2019 is as follows:

Compensated absences	
Balance - July 1	\$ 88,294
Salary adjustment	4,233
Annual leave accrued	47,971
Annual leave used	(45,666)
Sick leave accrued	1,227
Sick leave used	(198)
Employee payout	(34,808)
Balance - June 30	<u>61,053</u>
Current portion	<u>(30,000)</u>
Long-term compensated absences balance	<u>31,053</u>
Net pension liability	
Balance - July 1	584,642
Adjustment to record net pension liability in the CY	524,522
Balance - June 30	<u>1,109,164</u>
Other post-employment benefits	
Balance - July 1	46,080
Adjustment to record other post-employment benefits in the CY	2,518
Balance - June 30	<u>48,598</u>
Long-term liabilities	<u><u>\$ 1,188,815</u></u>

Note 7 - Pension Plans

The North Dakota Board of Nursing participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. The following 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, 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 provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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 for 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.

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 North Dakota Board of Nursing reported a liability of \$1,109,164 for its proportionate share of the PERS's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The North Dakota Board of Nursing's proportion of the net pension liability was based on North Dakota Board of Nursing's share of covered payroll during the measurement period for employer payroll paid dates from July 01, 2017 through June 30, 2018, relative to the total covered employee payroll for all of NDPERS's participating Main System employers. At June 30, 2018, the North Dakota Board of Nursing's proportion was 0.065724%, an increase from the prior year's proportion of 0.061735%.

For the year ended June 30, 2019, the North Dakota Board of Nursing recognized pension expense of \$182,844 for its proportionate share of PERS's pension expense.

North Dakota Board of Nursing

Notes to Financial Statements

June 30, 2019

At June 30, 2019, the North Dakota Board of Nursing reported its proportionate share of PERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,936	\$ 37,736
Changes in actuarial assumptions	400,385	15,831
Difference between projected and actual investment earnings	-	5,396
Changes in proportion and differences between employer contributions and proportionate share of contributions	124,691	-
Contributions to NDPERS subsequent to the measurement date	92,894	-
Total	<u>\$ 620,906</u>	<u>\$ 58,963</u>

North Dakota Board of Nursing reported \$92,894 as deferred outflows of resources related to pensions resulting from the North Dakota Board of Nursing's contributions to NDPERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as outflows and inflows of resources related to NDPERS pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2020	\$ 154,961
2021	140,109
2022	115,049
2023	53,466
2024	5,464
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 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	Increase Rate
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36-40	7.50%
	41-49	6.00%
	50+	5.00%
	*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%.

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).

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%.

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

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

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	\$ 1,507,148	\$ 1,109,164	\$ 777,060

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS Comprehensive Annual Financial Report. The financial report and related actuarial information is available by contacting NDPERS, 400 E Broadway Ave, Suite 505, PO Box 1657, Bismarck, ND 58502-1657.

Note 8 - Other Postemployment Benefits

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 (RHIC) 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 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.

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 \$48,598 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 0.061706% percent.

For the year ended June 30, 2019, the Employer recognized OPEB expense of \$6,006. 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 economic experience	\$ 1,455	\$ 1,004
Changes in actuarial assumptions	3,987	-
Net difference between projected and actual investment earnings	-	1,045
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,728	121
Contributions to NDPERS subsequent to the measurement date	7,380	-
Total	<u>\$ 14,550</u>	<u>\$ 2,170</u>

North Dakota Board of Nursing reported \$7,380 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 year ended June 30, 2020.

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

<u>Years Ended June 30,</u>	<u>OPEB Expense Amount</u>
2020	\$ 660
2021	660
2022	660
2023	660
2024	1,121
Thereafter	1,239

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
LG Cap Domestic Equities	37.00%	5.80%
Sm Cap Domestic Equities	9.00%	7.05%
International Equities	14.00%	6.20%
Core-Plus Fixed Income	40.00%	1.46%

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 Plan 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 OPEB liability	\$ 61,488	\$ 48,598	\$ 37,548

Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption

The benefit provided by the North Dakota RHIC Fund is a fixed dollar subsidy and is not affected by the healthcare cost trend. Therefore, a sensitivity analysis was not performed.

Pension Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued NDPERS Comprehensive Annual Financial Report. The financial report and related actuarial information is available by contacting NDPERS, 400 E Broadway Ave, Suite 505, PO Box 1657, Bismarck, ND 58502-1657.

Note 9 - Risk Management

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

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

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

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

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

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

Note 10 - Operating Lease

The Board leases its office space under an operating lease until June 30, 2021. The future minimum rental payments required under the operating lease for the years ended June 30 is as follows:

2020	\$ 44,340
2021	44,340
	<hr/>
	\$ 88,680
	<hr/> <hr/>

Expenses for rent amounted to \$44,340 for the year ended June 30, 2019.



Required Supplementary Information
June 30, 2019

North Dakota Board of Nursing

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

Pension plan	Measurement Date	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered - payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
NDPERS	06/30/18	<u>0.065724%</u>	<u>\$ 1,109,164</u>	<u>\$ 675,197</u>	<u>164.27%</u>	<u>62.80%</u>
NDPERS	06/30/17	<u>0.061735%</u>	<u>\$ 992,284</u>	<u>\$ 630,221</u>	<u>157.45%</u>	<u>61.98%</u>
NDPERS	06/30/16	<u>0.059988%</u>	<u>\$ 584,642</u>	<u>\$ 604,542</u>	<u>96.71%</u>	<u>70.46%</u>
NDPERS	06/30/15	<u>0.036936%</u>	<u>\$ 251,158</u>	<u>\$ 329,053</u>	<u>76.33%</u>	<u>77.15%</u>
NDPERS	06/30/14	<u>0.003343%</u>	<u>\$ 212,162</u>	<u>\$ 281,580</u>	<u>75.35%</u>	<u>77.70%</u>

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

Pension plan	Measurement date	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency	Employer's covered payroll	Contributions as a percentage of covered payroll
NDPERS	06/30/19	<u>\$ 92,894</u>	<u>\$ (92,894)</u>	<u>\$ -</u>	<u>\$ 647,376</u>	<u>14.35%</u>
NDPERS	06/30/18	<u>\$ 92,216</u>	<u>\$ (92,216)</u>	<u>\$ -</u>	<u>\$ 642,883</u>	<u>14.34%</u>
NDPERS	06/30/17	<u>\$ 90,399</u>	<u>\$ (90,399)</u>	<u>\$ -</u>	<u>\$ 630,221</u>	<u>14.34%</u>
NDPERS	06/30/16	<u>\$ 85,928</u>	<u>\$ (85,928)</u>	<u>\$ -</u>	<u>\$ 604,542</u>	<u>14.21%</u>
NDPERS	06/30/15	<u>\$ 86,565</u>	<u>\$ (86,565)</u>	<u>\$ -</u>	<u>\$ 329,053</u>	<u>26.31%</u>

Notes to Schedules

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

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

OPEB plan	Measurement Date	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered - employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered - employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
NDPERS	06/30/18	<u>0.061706%</u>	<u>\$ 48,598</u>	<u>\$ 675,197</u>	<u>7.20%</u>	<u>61.89%</u>
NDPERS	06/30/17	<u>0.058254%</u>	<u>\$ 46,080</u>	<u>\$ 630,221</u>	<u>7.31%</u>	<u>59.78%</u>

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

OPEB plan	Measurement date	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency	Employer's covered - employee payroll	Contributions as a percentage of covered - employee payroll
NDPERS	06/30/19	<u>\$ 7,380</u>	<u>\$ (7,380)</u>	<u>\$ -</u>	<u>\$ 647,376</u>	<u>1.14%</u>
NDPERS	06/30/18	<u>\$ 7,329</u>	<u>\$ (7,329)</u>	<u>\$ -</u>	<u>\$ 642,883</u>	<u>1.14%</u>

* GASB Statement No. 75 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the North Dakota Board of Nursing will present information for those years for which information is available.

Note 1- Employer Pension Liability and Contributions

There were no changes made in the plan provisions since the prior valuation.

The following changes were made to the actuarial assumptions beginning with the June 30, 2018 actuarial valuation:

- The investment rate of return stayed the same at 7.75 percent
- The price inflation assumption stayed the same at 2.50 percent
- The payroll growth assumption used in calculating the amortization of the unfunded liability contribution rate was increased from 3.75 to 4.00 percent
- The asset valuation method was updated to smooth total investment gains or losses compared to the investment return assumption over a five-year period. Net deferred asset gains attributable to fiscal years 2017 and prior were fully recognized as of June 30, 2018

Other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.

Note 2- Employer OPEB Liability and Contributions

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.

There were no benefit or assumption changes during the year.

The following changes were made to the actuarial assumptions beginning with the June 30, 2018 actuarial valuation:

- The investment rate of return was lowered from 7.75 to 7.50 percent.
- The price inflation assumption was lowered from 3.75 to 2.50 percent.

Other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.



Supplementary Information
June 30, 2019

North Dakota Board of Nursing

North Dakota Board of Nursing
Schedule of Revenues and Expenses – General Fund – Budget and Actual
Year Ended June 30, 2019

	General Fund		
	Original and Final Budget	Actual	Variance
Revenues			
Endorsements			
Professional	\$ 98,900	\$ 104,340	\$ 5,440
Practical	17,250	14,092	(3,158)
Re-registration			
Professional	561,000	553,758	(7,242)
Practical	105,000	105,527	527
Exams			
Professional	70,400	71,995	1,595
Practical	35,750	35,530	(220)
APRN License Renewal	26,000	25,500	(500)
Reactivation fee	4,500	4,200	(300)
Advance licensure	16,250	21,950	5,700
Prescriptive authority	29,500	31,125	1,625
Unlicensed assistive person registry	16,410	17,820	1,410
Medication assistant	4,800	4,920	120
Labels and mailing list	3,500	3,510	10
Disciplinary fees	3,000	3,500	500
Penalty fees	40,000	36,915	(3,085)
Encumbrance fees	10,800	7,310	(3,490)
School surveys	4,500	4,835	335
Publications, verifications, and other fees	2,500	4,299	1,799
Course review fee	-	300	300
Continuing education presentations	1,200	-	(1,200)
Continuing education Approval Fee	20,000	23,965	3,965
NNAAP testing	13,000	12,413	(587)
NEL application fee	1,375	975	(400)
CHRC Processing Fee	51,100	51,240	140
Program recognition fees	20,000	21,200	1,200
Interest	1,600	3,185	1,585
Center for Nursing	225,250	217,400	(7,850)
NEL Income	80,000	77,670	(2,330)
Total revenues	<u>1,463,585</u>	<u>1,459,474</u>	<u>(4,111)</u>

North Dakota Board of Nursing
Schedule of Revenues and Expenses – General Fund – Budget and Actual
Year Ended June 30, 2019

	General Fund		
	Original and Final Budget	Actual	Variance
Operating Expenses			
Salaries	631,000	652,472	(21,472)
Benefits	126,000	305,668	(179,668)
EAP Program Premium	155	160	(5)
Health insurance	124,100	129,045	(4,945)
Life insurance	130	109	21
Workers compensation	500	431	69
Staff development	5,000	1,388	3,612
Total employee compensation and benefits	886,885	1,089,273	(202,388)
Board staff expenses	5,000	6,274	(1,274)
Board meeting expenses	28,000	23,415	4,585
Unappropriated Expenses	250	-	250
Total board expenses	33,250	29,689	3,561
Rent	44,340	44,340	-
Phone expense	4,500	4,145	355
Office supplies expense	5,000	4,192	808
Document Disposal	500	286	214
Postage expense	10,000	8,972	1,028
Printing expense	1,200	1,255	(55)
Publications and subscriptions	300	-	300
Service contract	800	778	22
Repairs and parts	250	1,657	(1,407)
Office insurance	1,750	1,711	39
Disciplinary process	1,500	194	1,306
NCSBN	6,000	6,000	-
Bank charges	50	65	(15)
Audit fees	10,400	10,400	-
Legal fees	65,000	68,266	(3,266)
Consultant	10,000	11,184	(1,184)
Technology maintenance	8,000	8,338	(338)
On-line system payments	24,000	23,402	598
Equipment expense	3,500	4,534	(1,034)
Internet service & hosting	12,200	10,500	1,700
Office maintenance	3,240	3,240	-
Program enhancements	15,000	22,850	(7,850)
Rule Revisions	3,000	-	3,000
Center for nursing	225,250	217,400	7,850
NEL Transfer	80,000	77,670	2,330
Depreciation expense	-	13,798	(13,798)
Total other operating expenses	535,780	545,177	(9,397)
Total operating expenses	1,455,915	1,664,139	(208,224)
Expenses over Revenues	\$ 7,670	\$ (204,665)	\$ 212,335

<u>Names and Address</u>	<u>Office</u>	<u>Expiration Date of Term</u>
Advanced Practice Registered Nurse		
Kevin Buettner Grand Forks, ND		June 30, 2021
Registered Nurses		
Jane Christianson Bismarck, ND	President	June 30, 2022
Michael Hammer Velva, ND	Vice President	June 30, 2023
Jamie Hammer Minot, ND	Treasurer	June 30, 2020
Janelle Holth Grand Forks, ND		June 30, 2021
Mary Beth Johnson Bismarck, ND		June 30, 2022
Licensed Practical Nurses		
Bonny Mayer Minot, ND		June 30, 2019
Wendi Johnston Kathryn, ND		June 30, 2020
Public Member		
Tanya Spilovoy Minot, ND		June 30, 2021
Office Staff		
Stacey Pfenning, APRN, DNP, FNP	Executive Director	
Melissa Hanson, MSN, RN	Associate Director for Discipline	
Tammy Buchholz, MSN, RN, CNE	Associate Director for Education	
Patricia Hill, RN (Retired effective Jan. 2019)	Assistant Director for Practice & Discipline	
Maureen Bentz, MSN, RN, CNML (Hired Dec. 2018)	Associate Director for Practice	
Julie Schwan (Retired effective Sept. 2018)	Administrative Services Coordinator	
Chris Becker	Accounting and Licensure Specialist	
Gail Rossman	Technology Specialist	
Sally Bohmbach	Administrative Assistant	
Kathy Zahn	Administrative Assistant	
Karen Hahn (Hired April 2019)	Administrative Assistant Licensing Specialist	



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund and on the total business-type activities of the North Dakota Board of Nursing as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the North Dakota Board of Nursing's basic financial statements, and have issued our report thereon dated January 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Dakota Board of Nursing's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Board of Nursing's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Board of Nursing's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying summary of audit findings, that we consider to be a significant deficiency listed as 2019-A.

Compliance and Other Matters

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

North Dakota Board of Nursing's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Bismarck, North Dakota
January 17, 2020

Significant Deficiencies

2019-A - Preparation of Financial Statements

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

Condition: The Board does not have an internal control system designed to provide for the preparation of the financial statements being audited or for the preparation of adjusting entries related to GASB 68 and GASB 75. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements, and to propose adjusting entries for GASB 68 and GASB 75. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

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

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

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

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