



Financial Statements  
June 30, 2020

# 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 (Unaudited) ..... 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 *Government Auditing  
Standards* ..... 39

    Schedule of Findings and Responses ..... 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 business-type activities and each major fund of North Dakota Board of Nursing, as of and for the year ended June 30, 2020 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 respective financial position of the business-type activities and each major fund of North Dakota Board of Nursing as of June 30, 2020, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic 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 basic 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 4, 2021 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 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 North Dakota Board of Nursing's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Board of Nursing's internal control over financial reporting and compliance.

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

Bismarck, North Dakota  
January 4, 2021

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, 2020. 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 16,896 registered nurses, 3,788 licensed practical nurses, 1,859 advanced practice nurses, and of those 1,369 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 \$576,057.
- The Board's total net deficit increased by \$253,365.
- As of the close of the current fiscal year, the Board's net deficit balance for the general fund was (\$764,337).

### **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/registration 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 and Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and other 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 \$(576,057) at the close of the most recent fiscal year.

**Condensed Balance Sheet  
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u> (Memorandum only)
Assets		
Current Assets	\$ 1,234,591	\$ 1,187,090
Noncurrent Assets	<u>135,909</u>	<u>114,758</u>
Total Assets	1,370,500	1,301,848
Deferred Outflows of Resources	<u>473,704</u>	<u>635,456</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 1,844,204</u></u>	<u><u>\$ 1,937,304</u></u>
Liabilities		
Current Liabilities	\$ 962,967	\$ 824,690
Noncurrent Liabilities	<u>1,047,611</u>	<u>1,374,173</u>
Total Liabilities	2,010,578	2,198,863
Deferred Inflows of Resources	<u>409,683</u>	<u>61,133</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>2,420,261</u></u>	<u><u>2,259,996</u></u>
Fund Net Position		
Net Investment in Capital Assets	51,412	21,252
Unrestricted	<u>(627,469)</u>	<u>(343,944)</u>
Total Net Deficit	<u>(576,057)</u>	<u>(322,692)</u>
Total Liabilities and Net Deficit	<u><u>\$ 1,844,204</u></u>	<u><u>\$ 1,937,304</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u> (Memorandum only)
Operating Revenues		
Professional fees	\$ 1,317,918	\$ 1,228,721
Center for nursing	-	217,400
NEL income	86,410	77,670
NNAAP testing	-	12,413
Total operating revenues	<u>1,404,328</u>	<u>1,536,204</u>
Operating Expenses		
Employee compensation and benefits	1,061,802	1,036,205
Board expenses	15,815	29,689
Rent expense	44,340	44,340
Professional fees	132,443	112,700
Printing and postage expense	8,652	10,227
Office expenses	22,325	17,053
Repairs and maintenance	18,599	14,032
Miscellaneous expenses	34,137	29,664
Depreciation expense	15,954	13,798
NNAAP testing	-	61,364
Employment credit expense	87,392	57,933
NEL transfer	86,410	77,670
Center for nursing	135,000	217,400
Total operating expenses	<u>1,662,869</u>	<u>1,722,075</u>
Operating Loss	<u>(258,541)</u>	<u>(185,871)</u>
Nonoperating Revenue		
Interest income	5,176	4,089
Gain on sale of fixed asset	-	-
Total nonoperating revenue	<u>5,176</u>	<u>4,089</u>
Change in Net Deficit	(253,365)	(181,782)
Net Deficit, Beginning of Year	<u>(322,692)</u>	<u>(140,910)</u>
Net Deficit, End of Year	<u>\$ (576,057)</u>	<u>\$ (322,692)</u>

Business-type Activity - Business-type activities increased the Board's net deficit by \$253,365.

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 (\$764,337). 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 ongoing long-term employee retirements, training of new hires, and increase in overall workload, overlap and additional FTE's occurred as follows:

- One long-term administrative assistant retired in October 2019.
- Hired one Compliance investigator effective August 1, 2019 which was one additional FTE.
- Consultant for discipline to assist with workload and training of new Compliance Investigator and Associate Director for Practice.
- Consultant for Accounting to assist with accounting and licensure; and provide training to new Accounting/Licensing Specialist.
- Hired replacement Accounting/Licensing Specialist effective November 1, 2019.

The Board's share of Net Pension Liability decreased from 0.065724% for year-end 2019 to 0.060502% for year-end 2020. This decrease is due to a reduction in the Board's total amount of covered-employee payroll for the year. 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, 2020 the Board's proportion was 0.056399%.

During fiscal year 2019-20, the Board transitioned to a new discipline module and CE broker program which required additional FTE and increased workload for staff.

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 17,985 to 21,031. This is a total increase of 16.9%.

In 2019-2020, 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 from Albertson included a discipline module. Additionally, technology purchases were required to maintain core board functions and replace outdated technology, including new All-In-One PCs for each station along with an additional monitor (10 stations), server, router, scanners, and printers.

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 \$382,169. 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.

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. For fiscal year 2019-20, the allocation was changed to a flat \$15,000 per month (\$180,000 for the FY) due to necessity to utilize licensure fees for core board operations. Due to the Covid-19 Pandemic occurrence starting in March in the US and ND Executive Order 2020-05 (which allowed for emergency licensure through the ND Dept of Health), the Board anticipated a negative financial impact and as a result, the decision was made to amend the CFN contribution to be \$135,000 for the fiscal year, with no payments made for April, May, or June.

### **Capital Asset and Debt Administration**

**Capital Assets** - The Board's net investment in capital assets for its business type activities as June 30, 2020 amounts to \$51,412 (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 \$778,554. Of this amount, \$24,128 is comprised of compensated absences. The remaining amounts of \$709,127 is from the net pension liability and \$45,299 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:

- Continue monitoring impact of the Covid-19 pandemic on licensure and registration, and nursing regulatory needs.
- Collaborations with Albertson's, Inc. to continue additions and updates of online forms to comply with security issues; continue implementation of CE Broker; and continue updates related to NLC statutes and rules.
- 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, 2020, the NDBON 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. The NDBON thoroughly reviewed funding availability for projects due to the need to replenish reserve funds; sustain core board operations; address workload priorities and succession planning; and to address needs related to COVID 19. Effective July 1, 2019, the NDBON 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 hired and started August 1, 2019. In order to sustain the NDBON's financial stability with the increase in workload, staffing needs, and technology needs, the NDBON completed rule promulgation to adjust select licensure and registration fees 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; 2) replenish reserve funds; and 3) carry out all duties of the Board as mandated in the N.D.C.C. 43-12-08.

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, 2020

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2020 Total</u>	<u>2019 Total (Memorandum only)</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 417,746	\$ 102,883	\$ 520,629	\$ 364,061
Certificates of deposit	629,335	-	629,335	726,422
Notes receivable - current portion	-	84,497	84,497	93,507
Accounts receivable	-	130	130	3,100
Total current assets	<u>1,047,081</u>	<u>187,510</u>	<u>1,234,591</u>	<u>1,187,090</u>
Noncurrent Assets				
Furniture and equipment, net of accumulated depreciation	51,412	-	51,412	21,252
Notes receivable, net	-	84,497	84,497	93,506
Total noncurrent assets	<u>51,412</u>	<u>84,497</u>	<u>135,909</u>	<u>114,758</u>
Deferred Outflows of Resources				
Other post-employment benefits	15,689	-	15,689	14,550
Pension plans	458,015	-	458,015	620,906
Total deferred outflows of resources	<u>473,704</u>	<u>-</u>	<u>473,704</u>	<u>635,456</u>
Total assets and deferred outflows of resources	<u>\$ 1,572,197</u>	<u>\$ 272,007</u>	<u>\$ 1,844,204</u>	<u>\$ 1,937,304</u>

North Dakota Board of Nursing  
Statement of Net Position  
June 30, 2020

	General	Nursing Education Loan Fund	2020 Total	2019 Total (Memorandum only)
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 16,559	\$ -	\$ 16,559	\$ 19,315
Accrued liabilities	15,558	-	15,558	12,104
Current portion of compensated absences payable	30,000	-	30,000	30,000
Unearned revenue	838,555	62,295	900,850	763,271
Total current liabilities	<u>900,672</u>	<u>62,295</u>	<u>962,967</u>	<u>824,690</u>
Noncurrent Liabilities				
Unearned revenue	247,625	21,432	269,057	185,358
Other post-employment benefits liability	45,299	-	45,299	48,598
Net pension liability	709,127	-	709,127	1,109,164
Compensated absences payable	24,128	-	24,128	31,053
Total noncurrent liabilities	<u>1,026,179</u>	<u>21,432</u>	<u>1,047,611</u>	<u>1,374,173</u>
Total liabilities	<u>1,926,851</u>	<u>83,727</u>	<u>2,010,578</u>	<u>2,198,863</u>
Deferred Inflows of Resources				
Other post-employment benefits	4,761	-	4,761	2,170
Pension plans	404,922	-	404,922	58,963
Total liabilities and deferred inflows of resources	<u>2,336,534</u>	<u>83,727</u>	<u>2,420,261</u>	<u>2,259,996</u>
Net Position				
Net investment in capital assets	51,412	-	51,412	21,252
Unrestricted	(815,749)	188,280	(627,469)	(343,944)
Total net deficit	<u>(764,337)</u>	<u>188,280</u>	<u>(576,057)</u>	<u>(322,692)</u>
Total liabilities, deferred inflows of resources, and net deficit	<u>\$ 1,572,197</u>	<u>\$ 272,007</u>	<u>\$ 1,844,204</u>	<u>\$ 1,937,304</u>

North Dakota Board of Nursing  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2020

	General	Nursing Education Loan Fund	2020 Total	2019 Total (Memorandum only)
Operating Revenues				
Professional fees	\$ 1,236,778	\$ 81,140	\$ 1,317,918	\$ 1,228,721
Center for nursing	-	-	-	217,400
NEL income	86,410	-	86,410	77,670
NNAAP testing	-	-	-	12,413
Total operating revenues	<u>1,323,188</u>	<u>81,140</u>	<u>1,404,328</u>	<u>1,536,204</u>
Operating Expenses				
Employee compensation and benefits	1,061,802	-	1,061,802	1,036,205
Board expenses	15,815	-	15,815	29,689
Rent expense	44,340	-	44,340	44,340
Professional fees	132,443	-	132,443	112,700
Printing and postage expense	8,652	-	8,652	10,227
Office expenses	22,325	-	22,325	17,053
Repairs and maintenance	18,599	-	18,599	14,032
Miscellaneous expense	34,137	-	34,137	29,664
Depreciation expense	15,954	-	15,954	13,798
NNAAP testing	-	-	-	61,364
NEL transfer	86,410	-	86,410	77,670
Center for nursing	135,000	-	135,000	217,400
Employment credit expense	-	87,392	87,392	57,933
Total operating expenses	<u>1,575,477</u>	<u>87,392</u>	<u>1,662,869</u>	<u>1,722,075</u>
Operating Income/(Loss)	<u>(252,289)</u>	<u>(6,252)</u>	<u>(258,541)</u>	<u>(185,871)</u>
Nonoperating Revenue				
Interest income	4,462	714	5,176	4,089
Total nonoperating revenue	<u>4,462</u>	<u>714</u>	<u>5,176</u>	<u>4,089</u>
Change in Net Position	(247,827)	(5,538)	(253,365)	(181,782)
Net Balance (Deficit), Beginning of Year	<u>(516,510)</u>	<u>193,818</u>	<u>(322,692)</u>	<u>(140,910)</u>
Net Balance (Deficit), End of Year	<u>\$ (764,337)</u>	<u>\$ 188,280</u>	<u>\$ (576,057)</u>	<u>\$ (322,692)</u>

North Dakota Board of Nursing  
Statement of Cash Flows  
Year Ended June 30, 2020

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2020 Total</u>	<u>2019 Total (Memorandum only)</u>
Cash Flows from Operating Activities				
Receipts of professional fees	\$ 1,539,197	\$ 86,379	\$ 1,625,576	\$ 1,210,435
Receipts of NNAAP testing fees	3,000	-	3,000	12,413
Receipts of Center for nursing fees	-	-	-	217,400
Payment to Center for nursing	(135,000)	-	(135,000)	(217,400)
Payments to suppliers	(362,023)	-	(362,023)	(327,569)
Payments to employees	(961,761)	-	(961,761)	(890,479)
Net Cash Provided by Operating Activities	<u>83,413</u>	<u>86,379</u>	<u>169,792</u>	<u>4,800</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of furniture and equipment	<u>(46,114)</u>	<u>-</u>	<u>(46,114)</u>	<u>(6,489)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(46,114)</u>	<u>-</u>	<u>(46,114)</u>	<u>(6,489)</u>
Cash Flows from Investing Activities				
Issuance of notes receivable	-	(79,243)	(79,243)	(98,599)
Payment received on note receivable	-	9,870	9,870	5,803
Interest received	4,462	714	5,176	4,089
Proceeds of certificates of deposit	97,087	-	97,087	-
Purchase of certificates of deposit	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,879)</u>
Net Cash Provided by (used for) Investing Activities	<u>101,549</u>	<u>(68,659)</u>	<u>32,890</u>	<u>(91,586)</u>
Net Change in Cash and Cash Equivalents	138,848	17,720	156,568	(93,275)
Cash and Cash Equivalents, Beginning of Year	<u>278,898</u>	<u>85,163</u>	<u>364,061</u>	<u>457,336</u>
Cash and Cash Equivalents, End of Year	<u>\$ 417,746</u>	<u>\$ 102,883</u>	<u>\$ 520,629</u>	<u>\$ 364,061</u>
Schedule of Noncash Investing and Financing Activities				
Forgiveness of debt in exchange for hours worked	<u>\$ -</u>	<u>\$ 87,392</u>	<u>\$ 87,392</u>	



North Dakota Board of Nursing  
Statement of Cash Flows  
Year Ended June 30, 2020

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income/(Loss)	\$ (252,289)	\$ (6,252)	\$ (258,541)	\$ (185,871)
Adjustments to reconcile operating income/(loss)				
Depreciation	15,954	-	15,954	13,798
Adjustment to pension expense	108,813	-	108,813	171,905
Adjustment for OPEB expense	(1,847)		(1,847)	4,437
Employment credit expense	-	87,392	87,392	57,933
Changes in assets and liabilities				
Accounts receivable	3,000	(30)	2,970	20
Accounts payable	(2,756)	-	(2,756)	(8,500)
Compensated absences payable	(6,925)	-	(6,925)	(27,241)
Accrued liabilities	3,454	-	3,454	(3,550)
Unearned revenue	216,009	5,269	221,278	(18,131)
Net Cash Provided by (used for) Operating Activities	<u>\$ 83,413</u>	<u>\$ 86,379</u>	<u>\$ 169,792</u>	<u>\$ 4,800</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 APRNs, RNs, and LPNs; registration fees for Unlicensed Assistive Persons, Technicians, and Medication Assistant IIs; 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.

### **Capital Assets and Depreciation**

Capital 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 is reported net of an allowance for doubtful notes. Management's estimate of the allowance for doubtful notes is based on historical loss levels and an analysis of the collectability of individual 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.

### 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, 2020, the Board has bank deposits with a carrying amount of \$520,629.

Cash deposits at the Bank of North Dakota recorded as cash and cash equivalents	\$ 404,886
Cash deposits at Kirkwood Bank and Trust recorded as cash and cash equivalents	<u>115,743</u>
	<u><u>\$ 520,629</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, 2020, the Board had certificates of deposit with a cost of \$629,335. 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	\$ 100,940
Certificates of Deposit at Kirkwood Bank and Trust	273,934
Certificates of Deposit at Dakota Community Bank	177,372
Certificates of Deposit at BNC National Bank	<u>77,089</u>
	<u><u>\$ 629,335</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, 2020 totaled the following:

Notes receivable	\$ 172,486
Allowance for doubtful notes	(3,492)
	<u>168,994</u>
Less current portion	<u>84,497</u>
	<u>\$ 84,497</u>

**Note 5 - Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	Balance 06/30/19	Additions	Deletions	Balance 06/30/20
Furniture and equipment	\$ 192,520	\$ 46,114	\$ (13,196)	\$ 225,438
Accumulated depreciation	(171,268)	(15,954)	13,196	(174,026)
	<u>\$ 21,252</u>	<u>\$ 30,160</u>	<u>\$ -</u>	<u>\$ 51,412</u>

**Note 6 - Long-Term Liabilities**

Long-term liabilities consist partly of compensated absences and partly of the net pension liability. A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

Compensated absences	
Balance - July 1	\$ 61,053
Salary adjustment	2,377
Annual leave accrued	45,889
Annual leave used	(42,021)
Sick leave accrued	704
Sick leave used	(253)
Employee payout	(13,621)
Balance - June 30	<u>54,128</u>
Current portion	<u>(30,000)</u>
Long-term compensated absences balance	<u>24,128</u>
Net pension liability	
Balance - July 1	1,109,164
Adjustment to record net pension liability	(400,037)
Balance - June 30	<u>709,127</u>
Other post-employment benefits	
Balance - July 1	48,598
Adjustment to record other post-employment benefits	(3,299)
Balance - June 30	<u>45,299</u>
Long-term liabilities	<u><u>\$ 778,554</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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. 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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% 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, 2020, the North Dakota Board of Nursing reported a liability of \$709,127 for its proportionate share of the PERS's net pension liability. The net pension liability was measured as of July 1, 2019, 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 in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2019, the North Dakota Board of Nursing's proportion was 0.060502%, which was a decrease from the prior year's proportion of 0.065724%.

For the year ended June 30, 2020, the North Dakota Board of Nursing recognized pension expense of \$129,353 for its proportionate share of PERS's pension expense.

# North Dakota Board of Nursing

Notes to Financial Statements

June 30, 2020

At June 30, 2020, 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	\$ 419	\$ 128,693
Changes in actuarial assumptions	264,982	227,510
Difference between projected and actual investment earnings	12,355	48,719
Changes in proportion and differences between employer contributions and proportionate share of contributions	83,755	-
Contributions to NDPERS subsequent to the measurement date	96,504	-
Total	<u>\$ 458,015</u>	<u>\$ 404,922</u>

North Dakota Board of Nursing reported \$96,504 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, 2021. 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>
2021	\$ 53,264
2022	29,557
2023	(29,145)
2024	(73,724)
2025	(23,363)
Thereafter	-

### Actuarial Assumptions

The total pension liability in the July 1, 2019 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 30	10.00%
	30-39	7.50%
	40-49	6.75%
	50-59	6.50%
	60+	5.25%
	*Age-based salary increase rates apply for employees with three or more years of service	
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 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%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
Global Real Assets	19%	5.41%

**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).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

**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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 1,016,736	\$ 709,127	\$ 450,682

**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 are 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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. 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. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. 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, 2020, the Employer reported a liability of \$45,299 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2019, 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 July 1, 2019, the Employer's proportion was 0.056399% percent, which was a decrease from the prior year's proportion of 0.061706%.

For the year ended June 30, 2020, the Employer recognized OPEB expense of \$6,148. At June 30, 2020, 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	\$ 1,119	\$ 1,415
Changes in actuarial assumptions	5,399	-
Net difference between projected and actual investment earnings	50	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,454	3,346
Contributions to NDPERS subsequent to the measurement date	7,667	-
Total	<u>\$ 15,689</u>	<u>\$ 4,761</u>

North Dakota Board of Nursing reported \$7,667 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, 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:

<u>Years Ended June 30,</u>	<u>OPEB Expense Amount</u>
2021	\$ 552
2022	552
2023	973
2024	896
2025	432
Thereafter	(144)

#### Actuarial Assumptions

The total OPEB liability in the July 1, 2019 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	7.25%, 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, 2019 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	33.00%	6.00%
Sm Cap Domestic Equities	6.00%	7.30%
Domestic Fixed Income	40.00%	2.07%
International Equities	21.00%	6.95%



### Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. 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, 2019, calculated using the discount rate of 7.25%, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net OPEB liability	\$ 57,818	\$ 45,299	\$ 34,583

**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:

2021	\$ 44,340
	<u>\$ 44,340</u>

Expenses for rent amounted to \$44,340 for the year ended June 30, 2020.



Required Supplementary Information  
June 30, 2020

## 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 - employee 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	07/01/19	0.060502%	\$ 709,127	\$ 629,327	112.68%	72.53%
NDPERS	07/01/18	0.065724%	\$ 1,109,164	\$ 675,197	164.27%	62.80%
NDPERS	07/01/17	0.061735%	\$ 992,284	\$ 630,221	157.45%	61.98%
NDPERS	07/01/16	0.059988%	\$ 584,642	\$ 604,542	96.71%	70.46%
NDPERS	07/01/15	0.036936%	\$ 251,158	\$ 329,053	76.33%	77.15%
NDPERS	07/01/14	0.003343%	\$ 212,162	\$ 281,580	75.35%	77.70%

**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 - employee payroll	Contributions as a percentage of covered payroll
NDPERS	07/01/20	\$ 96,504	\$ (96,504)	\$ -	\$ 672,524	14.35%
NDPERS	07/01/19	\$ 92,894	\$ (92,894)	\$ -	\$ 647,376	14.35%
NDPERS	07/01/18	\$ 92,216	\$ (92,216)	\$ -	\$ 642,883	14.34%
NDPERS	07/01/17	\$ 90,399	\$ (90,399)	\$ -	\$ 630,221	14.34%
NDPERS	07/01/16	\$ 85,928	\$ (85,928)	\$ -	\$ 604,542	14.21%
NDPERS	07/01/15	\$ 86,565	\$ (86,565)	\$ -	\$ 329,053	26.31%

**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	07/01/19	<u>0.056399%</u>	<u>\$ 45,299</u>	<u>\$ 629,327</u>	<u>7.20%</u>	<u>63.13%</u>
NDPERS	07/01/18	<u>0.061706%</u>	<u>\$ 48,598</u>	<u>\$ 675,197</u>	<u>7.20%</u>	<u>61.89%</u>
NDPERS	07/01/17	<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	07/01/20	<u>\$ 7,667</u>	<u>\$ (7,667)</u>	<u>\$ -</u>	<u>\$ 672,524</u>	<u>1.14%</u>
NDPERS	07/01/19	<u>\$ 7,380</u>	<u>\$ (7,380)</u>	<u>\$ -</u>	<u>\$ 647,376</u>	<u>1.14%</u>
NDPERS	07/01/18	<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- Changes of Benefit Terms**

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

**Note 2- Changes of Assumptions**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50% for employer pension liability and contributions.
- The investment return assumption was lowered from 7.50% to 7.25% for employer OPEB liability and contributions.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.



Supplementary Information  
June 30, 2020

**North Dakota Board of Nursing**

North Dakota Board of Nursing  
Schedule of Revenues and Expenses – General Fund – Budget and Actual  
Year Ended June 30, 2020

	General Fund		
	Original and Final Budget	Actual	Variance
Revenues			
Endorsements			
Professional	\$ 98,900	\$ 114,109	\$ 15,209
Practical	17,250	10,984	(6,266)
Re-registration			
Professional	561,000	617,156	56,156
Practical	105,000	113,463	8,463
Exams			
Professional	70,400	75,735	5,335
Practical	35,750	36,190	440
APRN License Renewal	26,000	27,780	1,780
Reactivation fee	4,500	4,650	150
Advance licensure	16,250	23,763	7,513
Prescriptive authority	29,500	36,713	7,213
Unlicensed assistive person registry	16,410	18,930	2,520
Medication assistant	4,800	4,480	(320)
Labels and mailing list	3,500	3,217	(283)
Disciplinary fees	3,000	5,320	2,320
Penalty fees	40,000	40,631	631
Encumbrance fees	10,800	5,710	(5,090)
School surveys	4,500	1,125	(3,375)
Publications, verifications, and other fees	2,500	3,757	1,257
Course review fee	-	600	600
Continuing education presentations	1,200	-	(1,200)
Continuing education Approval Fee	20,000	18,320	(1,680)
NNAAP testing	13,000	-	(13,000)
NEL application fee	1,375	625	(750)
CHRC Processing Fee	51,100	50,320	(780)
Program recognition fees	20,000	23,200	3,200
Interest	1,600	4,462	2,862
Center for Nursing	225,250	-	(225,250)
NEL Income	80,000	86,410	6,410
Total revenues	<u>1,463,585</u>	<u>1,327,650</u>	<u>(135,935)</u>



North Dakota Board of Nursing  
Schedule of Revenues and Expenses – General Fund – Budget and Actual  
Year Ended June 30, 2020

	General Fund		
	Original and Final Budget	Actual	Variance
Operating Expenses			
Salaries	674,000	679,219	(5,219)
Benefits	134,000	238,889	(104,889)
EAP Program Premium	170	169	1
Health insurance	160,000	142,674	17,326
Life insurance	130	64	66
Workers compensation	575	567	8
Staff development	1,500	220	1,280
Total employee compensation and benefits	970,375	1,061,802	(91,427)
Board staff expenses	2,500	2,243	257
Board meeting expenses	18,000	13,572	4,428
Unappropriated Expenses	250	-	250
Total board expenses	20,750	15,815	4,935
Rent	44,340	44,340	-
Phone expense	4,500	4,343	157
Office supplies expense	3,500	3,962	(462)
Document Disposal	500	143	357
Postage expense	10,000	7,437	2,563
Printing expense	1,200	1,215	(15)
Publications and subscriptions	300	-	300
Service contract	800	886	(86)
Repairs and parts	250	182	68
Office insurance	1,750	1,377	373
Disciplinary process	1,500	198	1,302
NCSBN	6,000	6,000	-
Bank charges	50	89	(39)
Audit fees	11,000	11,200	(200)
Legal fees	71,000	72,455	(1,455)
Consultant	10,000	19,343	(9,343)
Technology maintenance	8,000	7,584	416
On-line system payments	22,500	24,904	(2,404)
Equipment expense	3,900	6,797	(2,897)
Internet service & hosting	13,000	12,500	500
Office maintenance	3,600	3,150	450
Program enhancements	50,000	29,445	20,555
Rule Revisions	3,500	2,361	1,139
Miscellaneous	-	585	(585)
Center for nursing	135,000	135,000	-
NEL Transfer	87,000	86,410	590
Depreciation expense	-	15,954	(15,954)
Total other operating expenses	493,190	497,860	(4,670)
Total operating expenses	1,484,315	1,575,477	(91,162)
Expenses over Revenues	\$ (20,730)	\$ (247,827)	\$ 227,097

<u>Names and Address</u>	<u>Office</u>	<u>Expiration Date of Term</u>
<b>Advanced Practice Registered Nurse</b>		
Kevin Buettner Grand Forks, ND	Treasurer	June 30, 2021
<b>Registered Nurses</b>		
Jane Christianson Bismarck, ND	President	June 30, 2022
Michael Hammer Velva, ND	Vice President	June 30, 2023
Jamie Hammer Minot, ND		June 30, 2020
Janelle Holth Grand Forks, ND		June 30, 2021
Mary Beth Johnson Bismarck, ND		June 30, 2022
<b>Licensed Practical Nurses</b>		
Julie Dragseth Watford City, ND		June 30, 2023
Wendi Johnston Kathryn, ND		June 30, 2020
<b>Public Member</b>		
Cheryl Froelich Mandan, ND		June 30, 2021
<b>Office Staff</b>		
Stacey Pfenning, APRN, DNP, FNP, FAANP	Executive Director	
Melissa Hanson, MSN, RN	Associate Director for Compliance	
Tammy Buchholz, DNP, RN, CNE	Associate Director for Education	
Maureen Bentz, MSN, RN, CNML	Associate Director for Practice	
Corrie Lund, RN	Compliance Investigator	
Mike Frovarp	Accounting/Licensing Specialist	
Gail Rossman	Technology Specialist	
Kathy Zahn	Compliance and Licensing Specialist	
Karen Hahn	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 the business-type activities and each major fund of the North Dakota Board of Nursing as of and for the year ended June 30, 2020, 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 4, 2021.

**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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Board of Nursing's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Board of Nursing's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

**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 financial statements. 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 schedule of findings and responses. 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 4, 2021

## **Significant Deficiencies**

### **2020-001 - 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.