NORTH DAKOTA REAL ESTATE COMMISSION
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
North Dakota Real Estate Commission
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Dakota Real Estate Commission as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the North Dakota Real Estate Commission'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 an opinion 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the North Dakota Real Estate Commission as of June 30, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 10 to the financial statements, the 2018 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of employer's share of net pension liability, schedule of employer's contributions – pension, schedule of employer's share of net OPEB liability, schedule of employer's contributions – OPEB and budgetary comparison schedule, 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.

Management has omitted the management's discussion and analysis. 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2021 on our consideration of North Dakota Real Estate Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Real Estate Commission'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 the North Dakota Real Estate Commission's internal control over financial reporting and compliance.

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

January 9, 2021

NORTH DAKOTA REAL ESTATE COMMISSION

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2020

	Governmental Funds Balance Sheet				
	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and cash equivalents	$378,230	$ 41,271	$419,501	$ -	$ 419,501
Accounts receivables	4,740	-	4,740	-	4,740
Prepaid rent	1,485	-	1,485	-	1,485
Investments	486,792	70,782	557,574	-	557,574
Furniture and equipment, net	-	-	-	80,750	80,750
Total assets	$871,247	$112,053	$983,300	80,750	1,064,050
DEFERRED OUTFLOW OF RESOURCES					
Cost sharing defined benefit plan - pension				175,750	175,750
Cost sharing defined benefit plan - OPEB				9,063	9,063
Total deferred outflow of resources				184,813	184,813
LIABILITIES					
Accounts payable	$ 10,741	$ -	$ 10,741	-	10,741
Salaries and benefits payable	6,927	-	6,927	-	6,927
Unearned revenue	234,775	-	234,775	-	234,775
Long-term liabilities:					
Due after one year					
Accrued compensated absences	-	-	-	19,467	19,467
Net pension liability	-	-	-	196,170	196,170
Net other post retirement benefit liability	-	-	-	12,531	12,531
Total liabilities	252,443	-	252,443	228,168	480,611
DEFERRED INFLOW OF RESOURCES					
Cost sharing defined benefit plan - pension				116,398	116,398
Cost sharing defined benefit plan - OPEB				471	471
Total deferred inflow of resources				116,869	116,869
FUND BALANCE/NET POSITION					
Fund balances:					
Nonspendable	1,485	-	1,485	(1,485)	-
Restricted for recovery	-	112,053	112,053	(112,053)	-
Unassigned	617,319	-	617,319	(617,319)	-
Total fund balance	618,804	112,053	730,857	(730,857)	-
Total liabilities and fund balance	$871,247	$112,053	$983,300		
Net Position					
Net investment in capital assets				80,750	80,750
Restricted for recovery				112,053	112,053
Unrestricted				458,580	458,580
Total net position				$ 651,383	$ 651,383

See Notes to the Financial Statements

NORTH DAKOTA REAL ESTATE COMMISSION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
JUNE 30, 2020

Total governmental fund balances		$ 730,857
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 110,597	
Less accumulated depreciation	(29,847)	
Net capital assets		80,750
Deferred outflows are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.		184,813
Long term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds balance sheet.		
Net pension liability	(196,170)	
Net OPEB liability	(12,531)	
Compensated absences	(19,467)	
		(228,168)
Deferred inflows are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		(116,869)
Net position of governmental activities		$ 651,383

NORTH DAKOTA REAL ESTATE COMMISSION

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance				
	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES					
Licensing and regulation	$482,909	$ -	$482,909	$ 37,551	$ 520,460
Total expenditures/expenses	482,909	-	482,909	37,551	520,460
PROGRAM REVENUES					
Fees	490,165	-	490,165	-	490,165
Fines and late penalties	14,550	-	14,550	-	14,550
Sales, net of costs	142	-	142	-	142
Total program revenues	504,857	-	504,857	-	504,857
Net program revenues					(15,603)
GENERAL REVENUES					
Interest income	14,050	1,232	15,282	-	15,282
Total general revenues	14,050	1,232	15,282	-	15,282
Excess of revenues over expenditures	35,998	1,232	37,230		
Other financing sources (uses)					
Transfers in (out)	(5,000)	5,000	-		
Change in fund balance	30,998	6,232	37,230		
Change in net position				37,551	(321)
Fund balance / net position, beginning of year	587,806	105,821	693,627	(41,923)	651,704
Fund balance / net position, end of year	$618,804	$112,053	$730,857	$ (79,474)	$ 651,383

See Notes to the Financial Statements

NORTH DAKOTA REAL ESTATE COMMISSION
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	Governmental Funds Balance Sheet				
	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and cash equivalents	$241,871	$ 36,186	$278,057	$ -	$ 278,057
Prepaid rent	1,485		1,485	-	1,485
Investments	534,172	69,635	603,807	-	603,807
Furniture and equipment, net	-	-	-	69,425	69,425
Total assets	$777,528	$105,821	$883,349	69,425	952,774
DEFERRED OUTFLOW OF RESOURCES					
Cost sharing defined benefit plan - pension				73,161	73,161
Cost sharing defined benefit plan - OPEB				2,939	2,939
Total deferred outflow of resources				76,100	76,100
LIABILITIES					
Accounts payable	$ 5,773	$ -	$ 5,773	-	5,773
Salaries and benefits payable	5,259	-	5,259	-	5,259
Unearned revenue	178,690	-	178,690	-	178,690
Long-term liabilities:					
Due after one year					
Accrued compensated absences	-	-	-	11,359	11,359
Net pension liability	-	-	-	137,405	137,405
Net other post retirement benefit liability	-	-	-	6,020	6,020
Total liabilities	189,722	-	189,722	154,784	344,506
DEFERRED INFLOW OF RESOURCES					
Cost sharing defined benefit plan - pension				32,315	32,315
Cost sharing defined benefit plan - OPEB				349	349
Total deferred inflow of resources				32,664	32,664
FUND BALANCE/NET POSITION					
Fund balances:					
Nonspendable	1,485	-	1,485	(1,485)	-
Restricted for recovery	-	105,821	105,821	(105,821)	-
Unassigned	586,321	-	586,321	(586,321)	-
Total fund balance	587,806	105,821	693,627	(693,627)	-
Total liabilities and fund balance	$777,528	$105,821	$883,349		
Net Position					
Net investment in capital assets				69,425	69,425
Restricted for recovery				105,821	105,821
Unrestricted				476,458	476,458
Total net position				$ 651,704	$ 651,704

See Notes to the Financial Statements

NORTH DAKOTA REAL ESTATE COMMISSION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
JUNE 30, 2019

Total governmental fund balances		$ 693,627
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 79,117	
Less accumulated depreciation	(9,692)	
Net capital assets		69,425
Deferred outflows are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.		76,100
Long term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds balance sheet.		
Net pension liability	(137,405)	
Net OPEB liability	(6,020)	
Compensated absences	(11,359)	
		(154,784)
Deferred inflows are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		(32,664)
Net position of governmental activities		$ 651,704

See Notes to the Financial Statements

NORTH DAKOTA REAL ESTATE COMMISSION

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance				
	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES					
Licensing and regulation	$458,651	$ -	$458,651	$ (52,025)	$ 406,626
Loss on disposal of capital assets	-	-	-	278	278
Total expenditures/expenses	458,651	-	458,651	(51,747)	406,904
PROGRAM REVENUES					
Fees	391,400	-	391,400	-	391,400
Fines and late penalties	16,425	-	16,425	-	16,425
Total program revenues	407,825	-	407,825	-	407,825
Net program revenues					921
GENERAL REVENUES					
Interest income	8,978	843	9,821	-	9,821
Total general revenues	8,978	843	9,821	-	9,821
Excess of revenues over expenditures	(41,848)	843	(41,005)		
Other financing sources (uses)					
Transfers in (out)	(4,900)	4,900	-		
Change in fund balance	(46,748)	5,743	(41,005)		
Change in net position				51,747	10,742
Fund balance / net position, beginning of year, as previously stated	803,769	100,078	903,847	(93,670)	810,177
Prior period adjustment - see note 10	(169,215)	-	(169,215)	-	(169,215)
Fund balance / net position, beginning of year, restated	634,554	100,078	734,632	(93,670)	640,962
Fund balance / net position, end of year	$587,806	$105,821	$693,627	$ (41,923)	$ 651,704

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principle Activity

The North Dakota Real Estate Commission is responsible for licensing of real estate offices, salespeople, and brokers doing business in North Dakota. The Commission is composed of five members, three of whom must be active real estate brokers, who are appointed by the governor for a term of five years. The Commission has the authority to refuse, suspend or revoke a real estate license for cause. The Commission conducts audits of real estate brokers trust accounts. The Commission administers the Subdivided Lands Disposition Act which regulates the sale of out-of-state subdivided lands to residents of North Dakota. The Commission provides for registration and licensing of all subdivisions offering for sale more than five lots, parcels, units or interest in land located outside the state and sold to North Dakota residents.

Reporting Entity

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in Governmental Accounting Standards Board (GASB). The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Commission. Based upon the application of these criteria, the Commission is not includable as a component unit within another reporting entity and the Commission does not have a component unit.

Basis for Presentation

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

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the full scope of the Commission's activities is considered to be governmental activity.

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; generally, when they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The revenues that are determined to be susceptible to accrual are fees, fines and interest.

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

When both restricted and unrestricted resources are available for use, it is at the Commission’s discretion to use restricted resources in accordance with North Dakota Century Code 43-23.2-02.

Governmental Funds

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

Special Revenue Fund - The education, research, and recovery fund is used to account for the receipt and disbursement of monies which have been collected for the purpose of providing a reserve whereby aggrieved persons may make application for the payment of unsatisfied judgments against licensees and for the furnishing of education and research in the field of real estate for the benefit of licensees.

Cash and Cash Equivalents

Cash and cash equivalents includes non-interest bearing demand deposits and interest-bearing savings deposits deposited with financial institutions with terms of less than three months.

Investments

Investments consist of certificates of deposit carried at cost with a term of more than three months. The certificates of deposit had interest rates of 0.40 – 2.00 percent and terms of 6 to 18 months in 2020. The certificates of deposit had interest rates of 0.95 – 2.39 percent and terms of 6 to 24 months in 2019.

Accounts Receivables

Accounts receivable consist of license fees to be collected as of year-end. No allowance for doubtful accounts is recorded for the years ended June 30, 2020 and 2019.

Capital Assets

Capital assets are reported at cost less accumulated depreciation. Equipment with an original cost of $750 or more and an estimated useful life in excess of one year are capitalized and reported in the government-wide financial statements. Depreciation is computed on a straight-line basis over the estimated useful life of the assets, generally five years for equipment and seven years for furniture.

Unearned Revenue

Unearned revenues are the result of the license period overlapping two fiscal years. The portion applicable to the next fiscal year is reported as unearned revenue in the current fiscal year.

Accrued Compensated Absences

Annual and sick leave are part of permanent employees' compensation as set forth in section 54-06-14 of the North Dakota Century Code. In general, accrued annual leave cannot exceed 30 days at year-end while sick leave is not limited. Employees earn annual leave at a variable rate based on years of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement, per section 54-06-14 of the North Dakota Century Code. Employees vest in sick leave at ten years of credible service, at which time the employer is liable for 10% of the accumulated unused sick leave.

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

Fund Balance Classifications

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

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

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Recovery Fund is considered to be restricted.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Commission. Those committed amounts cannot be used for any other purpose unless the Commission removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the Commission's "intent" to be used for special purposes, but are neither restricted nor committed. The Commission members have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Commission's discretion is used to determine whether to first use restricted resources or unrestricted resources, committed, assigned, and unassigned.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Commission has two items that qualifies for reporting in this category named *cost sharing defined benefit - pension* and *cost sharing defined benefit - OPEB*, represents actuarial differences within NDPERS pension and NDPERS OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to and 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.

Estimates

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

NOTE 2 DEPOSITS

In accordance with North Dakota statutes, the Commission maintains deposits at depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposits, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the state of North Dakota, its boards, agencies, or instrumentalities, or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing entity, and bonds issued by any other state of the United States or such other securities approved by the banking board.

At June 30, 2020, the carrying amount of deposits was $977,075. The bank balance of these deposits as of June 30, 2020 was $975,680. The difference results from checks outstanding or deposits not yet processed. Approximately $185,000 of deposits are guaranteed by the State of North Dakota. The remaining deposits are covered by Federal Depository Insurance and a letter of credit.

At June 30, 2019, the carrying amount of deposits was $881,864. The bank balance of these deposits as of June 30, 2019 was $879,421. The difference results from checks outstanding or deposits not yet processed. Approximately $178,000 of deposits are guaranteed by the State of North Dakota. The remaining deposits are covered by Federal Depository Insurance and a letter of credit.

Credit Risk

The Commission may invest idle funds as authorized in North Dakota statutes, as follows:

a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
c) Certificates of deposit fully insured by the federal deposit insurance corporation.
d) Obligations of the state.

Concentration of Credit Risk

The Commission does not have a limit on the amount the Commission may invest in any one issuer.

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	7/1/19	Additions	Deletions	6/30/20
Capital assets not being depreciated:				
Construction in progress	$ 45,000	$ 31,480	$ (76,480)	$ -
Capital assets being depreciated:				
Intangible asset - software	$ 1,015	$ 76,480	$ -	$ 77,495
Furniture and equipment	33,102	-	-	33,102
	34,117	76,480	-	110,597
Less accumulated depreciation for:				
Intangible asset - software	(204)	(102)	-	(306)
Furniture and equipment	(9,488)	(20,053)	-	(29,541)
	(9,692)	(20,155)	-	(29,847)
Net investment in capital assets	$ 69,425	$ 87,805	$ (76,480)	$ 80,750

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	7/1/18	Additions	Deletions	6/30/19
Capital assets not being depreciated:				
Construction in progress	$ -	$ 45,000	$ -	$ 45,000
Capital assets being depreciated:				
Intangible asset - software	$ -	$ 1,015	$ -	$ 1,015
Furniture and equipment	20,050	23,427	(10,375)	33,102
	20,050	24,442	(10,375)	34,117
Less accumulated depreciation for:				
Intangible asset - software	(102)	(102)	-	(204)
Furniture and equipment	(16,788)	(2,797)	10,097	(9,488)
	(16,890)	(2,899)	10,097	(9,692)
Net investment in capital assets	$ 3,160	$ 66,543	$ (278)	$ 69,425

NOTE 4 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ending June 30, 2020 is as follows:

	2020	2019
Compensated absences, beginning balance	$ 11,359	$ 3,616
Increases	14,015	13,135
Decreases	(5,907)	(5,392)
Compensated absences, ending balance	$ 19,467	$ 11,359

The general fund will be used liquidate compensated absences.

NOTE 5 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, 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 was 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of 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 and 2020, the Commission reported a liability of $196,170 and $137,405, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that dated. The Commission's proportion of the net pension liability was based on the Commission's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the Commission's proportion was 0.01674 percent, which was an increase of 0.00860 from its proportion measured at June 30, 2018. At June 30, 2018, the Commission's proportion was 0.00814 percent, which was a decrease of 0.00097 from its proportion measured at June 30, 2017.

For the year ended June 30, 2020, the Commission recognized pension expense of $52,803. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 116	$ (35,601)
Changes of assumptions	73,303	(62,937)
Net difference between projected and actual earnings on pension plan investments	3,418	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	85,265	(17,860)
Employer contributions subsequent to the measurement date	13,648	-
Total	$ 175,750	$ (116,398)

$13,648 reported as deferred outflows of resources related to pensions resulting from Commission contributions 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 deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	$ 23,497
2022	14,051
2023	8,382
2024	360
2025	(586)

For the year ended June 30, 2019, the Commission recognized pension expense of $20,944. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 364	$ (4,675)
Changes of assumptions	49,600	(1,961)
Net difference between projected and actual earnings on pension plan investments	-	(668)
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,776	(25,011)
Employer contributions subsequent to the measurement date	12,421	-
Total	$ 73,161	$ (32,315)

$12,421 reported as deferred outflows of resources related to pensions resulting from Commission contributions 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 deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	$ 12,419
2021	10,477
2022	3,257
2023	2,330
2024	(58)

Actuarial Assumptions

The total pension liability in the July 1, 2019 and July 1, 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%

Salary increases 7/1/18 Valuation	Service At Beginning of Year	State Employee	Non-State Employee
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	Age		
	Under 30	7.25%	10.00%
	30-39	6.5%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

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

Investment rate of return	7.50%, net of investment expenses (July 1, 2019 actuarial valuation) 7.75%, net of investment expenses (July 1, 2018 actuarial valuation)
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set-back for females) multiplied by 125%.

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

	7/1/2019 Valuation		7/1/2018 Valuation	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%	30%	6.05%
International Equity	21%	6.95%	21%	6.71%
Private Equity	7%	10.15%	7%	10.20%
Domestic Fixed Income	23%	2.11%	23%	1.45%
Global Real Assets	19%	5.41%	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).

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% for the July 1, 2019 actuarial valuation.

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% for the July 1, 2017 actuarial valuation.

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

The following 2020 schedule presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	$ 281,265	$ 196,170	$ 124,675

The following 2019 schedule presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease 5.32%	Current Discount Rate 6.32%	1% Increase 7.32%
Employer's proportionate share of the net pension liability	$ 186,708	$ 137,405	$ 96,263

Pension Plan Fiduciary Net Position

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

NOTE 6 OTHER POST EMPLOYMENT 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, vison 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 is advance-funded on an actuarially determined basis.

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as “*prefunded credit applied”* on the Statement of Changes in Plan Net Position for the OPEB trust funds. 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 and 2019 the Commission reported a liability of $12,531 and $6,020 respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net OPEB liability was based on the Commission's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the Commission's proportion was 0.015602 percent, which was an increase of 0.007958 from its proportion measured at June 30, 2018. At June 30, 2018, the Commission's proportion was 0.007644 percent, which was a decrease of 0.000953 from its proportion measured at June 30, 2017.

For the year ended June 30, 2020, the Commission recognized OPEB expense of $2,517. 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 experience	$ 309	$ (391)
Changes of assumptions	1,494	-
Net difference between projected and actual earnings on OPEB plan investments	14	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,062	-
Employer contributions subsequent to the measurement date	2,185	-
Total	$ 9,064	$ (391)

$2,185 reported as deferred outflows of resources related to OPEB resulting from Commission 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:

Year ended June 30:		
2021	$	1,041
2022		1,041
2023		1,158
2024		1,137
2025		973
Thereafter		1,137

For the year ended June 30, 2019, the Commission recognized OPEB expense of $779. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 180	$ (124)
Changes of assumptions	494	-
Net difference between projected and actual earnings on OPEB plan investments	-	(130)
Changes in proportion and differences between employer contributions and proportionate share of contributions	276	(95)
Employer contributions subsequent to the measurement date	1,989	-
Total	$ 2,939	$ (349)

$1,989 reported as deferred outflows of resources related to OPEB resulting from Commission 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:

Year ended June 30:		
2021	$	87
2022		87
2023		87
2024		144
2025		133
2026		63

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 and 2018 actuarial valuations were 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 (July 1, 2019 actuarial valuation) 7.50%, net of investment expenses (July 1, 2018 actuarial valuation)
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 and 2018 are summarized in the following table:

	7/1/2019 Valuation		7/1/2018 Valuation	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%	37%	7.15%
Small Cap Domestic Equities	6%	7.30%	9%	14.42%
International Equities	21%	2.07%	14%	8.83%
Core-Plus Fixed Income	-	-	40%	0.10%
Domestic Fixed Income	40%	6.95%	-	-

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25% as of June 30, 2020 and 7.50% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 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	$ 15,995	$ 12,531	$ 9,567

The following presents the net OPEB liability of the Plans as of June 30, 2019 calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net OPEB liability	$ 7,617	$ 6,020	$ 4,651

OPEB Plan Fiduciary Net Position

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

NOTE 7 OPERATING LEASE

The Commission had a lease for November 1, 2018 through October 31, 2019 with monthly installments of $1,591. They entered into a new lease November 1, 2018 through October 31, 2019 with monthly installments of $1,591 and the option to renew for two years. The Commission exercised a one year renewal option on this lease. The Commission entered into new lease in September 2020. The lease term is from September 1, 2020 through August 31, 2025 with monthly installments of $2,325. Future payments on the lease are as follows:

2021	$ 29,615
2022	27,900
2023	27,900
2024	27,900
2025	27,900
2026	4,650

Expenditures for rent for the years ended June 30, 2020 and 2019 were $19,095 and $18,671, respectively.

NOTE 8 TRANSFERS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Transfers of $5,000 and $4,900 were made from the general fund to the special revenue fund during the years ended June 30, 2020 and 2019, respectively.

NOTE 9 RISK MANAGEMENT

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

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

The Commission participates in the North Dakota Worker's Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

The Commission pays an annual premium to a third-party insurance carrier for employee dishonesty coverage in the amount of $10,000.

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 PRIOR PERIOD ADJUSTMENT

The Commission has restated its 2018 financial statements to properly account for unearned revenue related to licenses as the license period is on a calendar basis. Accordingly, unearned revenue was increased and fund balance / net position were decreased by $169,215.

NOTE 11 NEW ACCOUNTING PRONOUNCEMENTS

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

Management has not yet determined the effect this Statement will have on the Commission's financial statements.

NOTE 12 SUBSEQUENT EVENTS

Subsequent to year end, the Commission entered into a contract for $16,200 for additional support for the Big Picture licensing software.

Subsequent events have been evaluated through January 9, 2021, which is the date these financial statements were available to be issued.

NORTH DAKOTA REAL ESTATE COMMISSION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Fees	$ 486,150	$ 486,150	$ 490,165	$ 4,015
Fines	5,000	5,000	998	(4,002)
Late penalties	15,000	15,000	13,550	(1,450)
Interest income	7,769	7,769	14,052	6,283
Sales, net of cost	-	-	142	142
Total revenues	513,919	513,919	518,907	4,988
EXPENDITURES				
Capital assets additions	3,600	3,600	31,480	(27,880)
Credit card fees	12,500	12,500	21,737	(9,237)
Commissioners' expenses	45,460	45,460	18,735	26,725
Legal fees and investigation costs	45,000	45,000	30,910	14,090
Miscellaneous costs	1,500	1,500	644	856
Office equipment and maintenance	3,600	3,600	1,064	2,536
Office supplies	3,600	3,600	1,656	1,944
Payroll taxes	19,653	19,653	20,339	(686)
Postage	4,500	4,500	3,399	1,101
Printing costs	3,600	3,600	3,862	(262)
Professional fees	7,300	7,300	1,848	5,452
Property and liability insurance	1,525	1,525	1,206	319
Rent	19,095	19,095	19,095	-
Retirement and heath insurance	75,377	75,377	80,934	(5,557)
Salaries	232,723	232,723	218,453	14,270
Staff education and training	1,200	1,200	909	291
Staff travel and expenses	14,547	14,547	2,366	12,181
Technology	65,133	65,133	22,456	42,677
Telephone	2,160	2,160	1,816	344
Total expenditures	562,073	562,073	482,909	79,164
Excess of revenues over (under) expenditures	(48,154)	(48,154)	35,998	84,152
Other financing sources				
Transfers in (out)	-	-	(5,000)	(5,000)
Change in fund balance	$ (48,154)	$ (48,154)	30,998	$ 79,152
Fund balance - beginning of year			587,806	
Fund balanced - end of year			$ 618,804	

NORTH DAKOTA REAL ESTATE COMMISSION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Fees	$ 366,600	$ 366,600	$ 391,400	$ 24,800
Fines	5,000	5,000	2,429	(2,571)
Late penalties	18,000	18,000	14,000	(4,000)
Interest income	2,544	2,544	8,975	6,431
Total revenues	392,144	392,144	416,804	24,660
EXPENDITURES				
Auditing costs	-	-	7,650	(7,650)
Capital assets additions	3,600	3,600	69,441	(65,841)
Credit card fees	9,967	9,967	10,619	(652)
Commissioners' expenses	49,937	49,937	24,986	24,951
Legal fees and investigation costs	45,000	45,000	39,582	5,418
Miscellaneous costs	4,584	4,584	940	3,644
Office equipment and maintenance	5,500	5,500	1,522	3,978
Office supplies	3,600	3,600	3,005	595
Payroll taxes	15,842	15,842	15,079	763
Postage	8,500	8,500	3,581	4,919
Printing costs	8,000	8,000	3,117	4,883
Professional fees	5,880	5,880	780	5,100
Property and liability insurance	1,368	1,368	1,498	(130)
Rent	25,500	25,500	18,671	6,829
Retirement and heath insurance	67,102	67,102	63,404	3,698
Salaries	179,100	179,100	174,952	4,148
Staff education and training	1,500	1,500	2,580	(1,080)
Staff travel and expenses	14,325	14,325	3,797	10,528
Technology	30,000	30,000	11,006	18,994
Telephone	1,920	1,920	2,442	(522)
Total expenditures	481,225	481,225	458,652	22,573
Excess of revenues over (under) expenditures	(89,081)	(89,081)	(41,848)	47,233
Other financing sources				
Transfers in (out)	-	-	(4,900)	(4,900)
Change in fund balance	$ (89,081)	$ (89,081)	(46,748)	$ 42,333
Fund balance - beginning of year, restated			634,554	
Fund balanced - end of year			$ 587,806	

NORTH DAKOTA REAL ESTATE COMMISSION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	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-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.01674%	$ 196,170	$ 174,450	112.45%	71.66%
2019	0.00814%	137,405	93,003	147.74%	62.80%
2018	0.00911%	146,428	127,077	115.23%	61.98%
2017	0.01261%	122,897	123,079	99.85%	70.46%
2016	0.01382%	93,940	78,558	119.58%	77.15%
2015	0.00933%	59,188	78,558	75.34%	77.70%

***** Complete date for this schedule is not available prior to 2015.

NORTH DAKOTA REAL ESTATE COMMISSION
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS – PENSION
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 13,648	$ (13,648)	$ -	$ 191,683	7.12%
2019	12,421	(12,421)	-	174,450	7.12%
2018	6,744	(9,097)	(2,353)	93,003	9.78%
2017	9,200	(9,053)	147	127,077	7.12%
2016	9,349	(8,763)	586	123,079	7.12%
2015	5,593	(5,593)	-	78,558	7.12%

***** Complete date for this schedule is not available prior to 2015.

NORTH DAKOTA REAL ESTATE COMMISSION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	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
2020	0.015602%	$ 12,531	$ 174,096	7.20%	63.13%
2019	0.007644%	6,020	93,003	6.47%	61.89%
2018	0.008597%	6,800	93,003	7.31%	59.78%

***** Complete date for this schedule is not available prior to 2017.

NORTH DAKOTA REAL ESTATE COMMISSION

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS – OPEB

LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 2,025	$ (1,812)	$ 213	$ 191,683	0.95%
2019	981	(1,599)	(618)	174,096	0.92%
2018	1,081	(1,457)	(376)	93,003	1.57%

***** Complete date for this schedule is not available prior to 2017.

NOTE 1 CHANGES OF BENEFIT TERMS

NDPERS Pension Plan

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.

NDPERS RHIC OPEB Plan

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

NDPERS Pension Plan

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%

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

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.

NDPERS RHIC OPEB Plan

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

- The investment return assumption was lowered from 7.50% to 7.25%

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

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

BradyMartz

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

To the Board of Commissioners
North Dakota Real Estate Commission
Bismarck, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the North Dakota Real Estate Commission, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the North Dakota Real Estate Commission's basic financial statements and have issued our report thereon dated January 9, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Dakota Real Estate Commission's internal control over financial reporting (internal control) as a basis for designing 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 Real Estate Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Real Estate Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2020-001 and 2020-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota Real Estate Commission'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 statement. 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 matter that are required to be reported under *Government Auditing Standards*.

North Dakota Real Estate Commission's Responses to Findings

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

Purpose of this Report

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

Brady Martz

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

January 9, 2021

2020-001 Significant Deficiency: Preparation of Financial Statements

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

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

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

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

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

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

2020-002 Significant Deficiency: Segregation of Duties

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

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

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

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

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

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

2020-003 Material Weakness: Journal Entries

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

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

Cause
The Board's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on a GAAP basis.

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

Recommendation
Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the entity reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally.

Views of Responsible Officials and Planned Corrective Actions
Due to the financial, efficiency and time constraints, it has been determined by the Board and the management of the North Dakota Real Estate Commission that it is in the best interest of Board, the North Dakota Real Estate Commission and all interested parties to have adjustments proposed by the auditing firm in order to for the general ledger accounts to be reflected on a GAAP basis.