

**NORTH DAKOTA STATE BOARD  
OF ACCOUNTANCY**

**FINANCIAL STATEMENTS  
JUNE 30, 2021**

**WITH INDEPENDENT AUDITOR'S REPORT**

**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**

**TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Page(s)</u>
Board Officials	1
Independent Auditor's Report	2 - 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4-6
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position - Proprietary Fund	7
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	8
Statement of Cash Flows - Proprietary Fund	9
Notes to Financial Statements	10-22
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Employer's Share of Net Pension Liability	23
Schedule of Employer's Pension Contributions	24
Schedule of Employer's Share of Net OPEB Liability	25
Schedule of Employer's OPEB Contributions	26
Notes to Required Supplementary Information	27
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	28-29
Schedule of Findings and Responses	30

**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**

**BOARD OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2021**

**As of June 30, 2021**

Mike Schmitz  
Patrick Kautzman  
Laura Adair  
Sheri Erickson  
David Holt

Mandy Harlow

Pene DeMaster

Board President  
Board Secretary  
Board Member  
Board Member  
Board Member

Executive Director

Licensing Manager

## INDEPENDENT AUDITOR'S REPORT

Board and Administration  
**North Dakota State Board of Accountancy**  
Grand Forks, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the **North Dakota State Board of Accountancy**, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the **North Dakota State Board of Accountancy's** basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

**North Dakota State Board of Accountancy's** 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 opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the **North Dakota State Board of Accountancy**, as of June 30, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's share of net pension liability, schedule of employer's pension contributions, schedule of employer's share of net OPEB liability, schedule of employer's OPEB contributions and related notes 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*

The Board officials listing has not been subjected to 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 our report dated October 13, 2021, on our consideration of the **North Dakota State Board of Accountancy'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 the **North Dakota State Board of Accountancy'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 State Board of Accountancy's** internal control over financial reporting and compliance.



Fargo, North Dakota  
October 13, 2021

# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

This discussion accompanies the audited financial statements of the **North Dakota State Board of Accountancy** (the Board), and overviews the Board and its financial activity for the year ended June 30, 2021.

The Board is a regulatory agency of the State of North Dakota. Its activities consist of initial licensing of accountants, annual license renewal, monitoring accountant continuing education, and responding to consumer concerns. The Board has a staff of two. The Board owns no real estate, its office equipment and furnishings are carried in the financial statements at a value of \$3,229 after depreciation. The majority of the remainder of the Board's assets are in the form of cash or CDs.

The national and state economic climates have little direct impact on the Board's financial operations. The Board does not seek grants, loans, or other financial consideration from any organization, although Board and staff members may receive expense reimbursement from the National Association of State Boards of Accountancy (NASBA), when participating in NASBA committee work. The Board's revenue consists of licensing and application fees, late fees, unused exam fees and interest income. No funding is received from the State; no Board funds transfer to the State, other than for benefits, Insurance Reserve Fund contributions, and tax-type obligations.

### FINANCIAL HIGHLIGHTS

The Board's net position at June 30, 2021 was \$349,462, up \$67,669 from the \$281,793 position on June 30, 2020. During the fiscal year ended June 30, 2021, the Board's normal operations resulted in the increase in net position. This increase is a result of the fees and operating revenues exceeding operating expenses. The Board's primary function is to license public accountants in the State of North Dakota and to administer the licensing exams for public accountants. During fiscal year end June 30, 2021, the Board received license renewal fees of \$250,645 as compared to \$250,000 in the budget. The Board received CPA exam fees of \$41,160 as compared to the budget of \$20,000. The budget variance is due to the number of exams deferred from the fiscal year ended June 30, 2020 to the year ended June 30, 2021 as a result of the COVID – 19 Pandemic.

The Board's primary expenses are for salaries and benefits – of the \$278,390 in expenditures for fiscal year ended June 30, 2021, \$194,478 are related to salaries and benefits. The budgeted salaries and benefits expenses were \$171,000. The difference between these actual expenditures and budgeted expenditures approximates the additional pension expense resulting from the performance of the retirement plan during the fiscal year ending June 30, 2020. Other operating expenditures during the current fiscal year totaled \$83,912 as compared to the budgeted amount of \$102,175, the various is due to the board of directors not incurring any travel to meetings and conferences as planned because of the COVID – 19 Pandemic.

### OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

The Statement of Net Position shows all the Board's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in the Board's net position is an indicator of whether its financial position is improving or deteriorating, respectively. At June 30, 2021, the Board had current liabilities of \$192,290, consisting primarily of deferred licensing revenue. The Board's financial assets are mainly held in cash and CDs.



**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

The Statement of Revenues Expenses, and Changes in Net Position shows how the Board's assets changed because of current year operations. Annual license fees were comparable to the prior year. Annual CPA examination fees were \$18,900 higher during the fiscal year ended June 30, 2021 than in the prior year. This decrease was expected and mirrored a nationwide decrease in the number of candidates sitting for the exam due to COVID-19 deferred exam registrations from fiscal year ended June 30, 2020 to fiscal year ended June 30, 2021. Regardless of when cash is affected, changes in net assets are reported based on when underlying transactions occurred.

The Statement of Cash Flows shows how the cash changed due to current year operations; it is prepared using the direct method.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

The Board has no component units.

# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets	\$ 807,537	\$ 699,278
Non-current assets	<u>3,229</u>	<u>4,518</u>
Total assets	<u>810,766</u>	<u>703,796</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions and OPEB	204,500	110,228
 <b>LIABILITIES</b>		
Current liabilities	192,290	181,451
Long-term liabilities	<u>293,147</u>	<u>116,989</u>
Total liabilities	<u>485,437</u>	<u>298,440</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension and OPEB	180,367	233,791
 <b>NET POSITION</b>		
Net investment in capital assets	3,229	4,518
Unrestricted	<u>346,233</u>	<u>277,275</u>
Total net position	<u>\$ 349,462</u>	<u>\$ 281,793</u>

### Statement of activities for the years ended June 30

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 340,023	\$ 299,738
Operating expenses	<u>278,390</u>	<u>261,499</u>
Operating income (loss)	61,633	38,239
Nonoperating revenue	<u>6,036</u>	<u>10,973</u>
Change in net position	67,669	49,212
Beginning net position	<u>281,793</u>	<u>232,581</u>
Ending net position	<u>\$ 349,462</u>	<u>\$ 281,793</u>

Questions regarding this report may be directed to the Executive Director, Amanda Harlow, or current Board President, Patrick Kautzman, CPA, at 800-532-5904 or [mandyharlow@nd.gov](mailto:mandyharlow@nd.gov).



# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2021

	<b>Business - Type Activities</b>
<b>CURRENT ASSETS</b>	
Cash and equivalents	\$ 337,992
Investments	469,045
Prepaid expenses	<u>500</u>
Total current assets	807,537
<b>CAPITAL ASSETS, NET ACCUMULATED DEPRECIATION</b>	
Furniture and equipment	<u>3,229</u>
Total assets	810,766
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions and OPEB	<u>204,500</u>
Total assets and deferred outflows of resources	\$ <u>1,015,266</u>
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 1,316
Accrued expenses	6,779
Deferred revenue	<u>184,195</u>
Total current liabilities	192,290
<b>LONG-TERM LIABILITIES</b>	
Net pension and OPEB liability	<u>293,147</u>
Total liabilities	485,437
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension and OPEB	<u>180,367</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,229
Unrestricted	<u>346,233</u>
Total net position	349,462
Total liabilities, deferred inflows of resources and net position	\$ <u>1,015,266</u>

**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Business - Type Activities</b>
<b>OPERATING REVENUES</b>	
Annual license fees	\$ 250,645
Reinstatement fees and fines	10,850
CPA examination fees	41,160
Unused exam fees	13,204
Reciprocal certificate fees	4,480
Firm permit fees	3,130
Late filing fees	14,150
Miscellaneous income	<u>2,404</u>
Total operating revenues	<u>340,023</u>
<b>OPERATING EXPENSES</b>	
Salaries and wages	108,868
Payroll taxes	7,675
Employee benefits	77,935
Attorney fees	30,207
Audit	8,234
Bank service charges	8,521
Board	10,429
Consultants	510
CPA examination	126
Depreciation	1,289
Insurance and bond	1,182
NASBA dues	4,240
Office supplies	7,321
Reinstatements and fines	630
Rent	6,375
Repairs and maintenance	1,084
Telephone	2,535
Website	<u>1,229</u>
Total operating expenses	<u>278,390</u>
Operating income	61,633
<b>NONOPERATING REVENUE</b>	
Interest income	<u>6,036</u>
Change in net position	67,669
Net position - July 1	<u>281,793</u>
Net position - June 30	\$ <u><u>349,462</u></u>

**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Business - Type Activities</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from licenses	\$ 352,784
Cash received from other income	2,404
Cash payments to employees for services	(161,295)
Cash payments to vendors for goods and services	<u>(90,704)</u>
Net cash provided by operating activities	103,189
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale/redemption of investments	298,000
Purchase of investments	(304,036)
Interest income	<u>6,036</u>
Net cash used in investing activities	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	103,189
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>234,803</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 337,992</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income	\$ 61,633
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,289
Changes in assets and liabilities	
Change in prepaid expenses	967
Change in deferred outflows of resources	(94,272)
Change in account payable	(1,373)
Change in accrued expenses	(2,954)
Change in deferred revenue	15,165
Change in deferred inflows of resources	(53,424)
Change in net pension and OPEB liability	<u>176,158</u>
Net cash provided by operating activities	<u><u>\$ 103,189</u></u>



# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Dakota State Board of Accountancy (the Board), a state-wide administrative agency located in Grand Forks, North Dakota, was formed by Statute in October 1941 and consists of at least five members appointed by the Governor of North Dakota. The Board's purpose is to serve as a licensing and regulatory board for licensed and certified public accountants practicing within the State of North Dakota. The Board accomplishes its purpose by administering the CPA examination, licensing accountants, and enforcing public accounting laws and regulations. The Board's significant accounting policies are described below.

#### *Reporting Entity*

The accompanying financial statements present the activities of the North Dakota State Board of Accountancy. The Board has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose special financial burdens on the Board.

Based on these criteria, there are no component units to be included within the Board as a reporting entity.

#### *Basis of Presentation*

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Board's basic financial statements consist of proprietary fund financial statements. Due to the nature of the Board's operations, the Board reports all of its functions in one proprietary fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from provided services and producing and delivering goods in connection with the Board's operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

#### *Fund Financial Statements*

The Board's fund consists of the following:

Proprietary Fund - The reporting focus of proprietary funds is on the determination of net income, financial position, and changes in financial position (economic resources). This fund is used to account for activities that are similar to those found in the private sector. This fund is maintained on the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

# **NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and the accompanying notes. Accordingly, actual results could differ from those estimates.

### ***Encumbrance Accounting***

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

### ***Cash and Investments***

The cash and cash equivalents include demand deposits with an original maturity of three months or less. Investments consists of cash equivalent funds and certificates of deposit with original maturities ranging from twelve months to twenty-four months. Certificates of deposit are stated at amortized cost which approximates fair value.

The Board follows state statutes with regard to its investing decisions.

### ***Capital Assets***

Capital assets include furniture and equipment. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500. 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.

Capital assets are depreciated using the straight-line method over their estimated useful life of five years.

### ***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 will not be recognized as an outflow of resources (expense/expenditures) until then.

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.

### ***Deferred Revenues***

Deferred revenues represent license and registration fees received in the current year for the next year's activities.



# **NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### ***Net Position***

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Board's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net positions are reported as unrestricted. The Board generally does not have restricted resources.

### ***Pensions***

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

### ***Other Post-Employment Benefits (OPEB)***

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

### ***Subsequent Events***

Management has evaluated subsequent events through the date of the auditor's report which is the date the financial statements were available to be issued.

## **NOTE 2 – DEPOSITS**

### ***Custodial Credit Risk***

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the Board would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The Board follows North Dakota state statutes which authorize the Board to make deposits in the Bank of North Dakota or in other financial institutions.

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institution 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 deposit, shares of investment



## NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended June 30, 2021, the Board's carrying amount of deposits was \$337,992 and the bank balances were \$313,624. All of the bank balances were covered by the Federal Depository Insurance Corporation.

#### *Credit Risk*

The Board 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) At June 30, 2021 obligations of the state, covered by the Federal Deposit Insurance Corporation. As of June 30, 2021 there were no deposits in excess of the insurance provided by the Federal Deposit Insurance Corporation.

At June 30, 2021 the Board held certificates of deposit in its Stifel investment account of \$469,045 which are all considered deposits.

#### *Concentration of Credit Risk*

The North Dakota State Board of Accountancy does not have a limit on the amount it may invest in any one issuer.

### NOTE 3 – FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy are described below:

*Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

*Level 2* - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for the asset or liability.

*Level 3* - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Certificates of deposit included within cash and cash equivalents and totaling \$469,045, are classified as Level 1 investments.

# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets, being depreciated furniture and equipment	\$ 13,193	\$ -	\$ 4,997	\$ 8,196
Less accumulated depreciation for furniture and equipment	<u>8,675</u>	<u>1,289</u>	<u>4,997</u>	<u>4,967</u>
Net capital assets for business-type activities	\$ <u>4,518</u>	\$ <u>(1,289)</u>	\$ <u>-</u>	\$ <u>3,229</u>

### NOTE 5 – PENSION PLAN – DEFINED BENEFIT

#### *North Dakota Public Employees Retirement System (NDPERS)*

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. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was 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.

*(Continued)*



## **NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

#### ***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 Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2021, the Board reported a liability of \$285,753 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. On June 30, 2020, the Board's proportion was 0.009083%, which was a decrease of 0.000299% from its proportion measured on June 30, 2019.



# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

For the year ended June 30, 2021, the Board recognized pension expense of \$43,545. On June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,112	\$ 14,479
Changes of assumptions	153,182	25,325
Net difference between projected and actual earnings on pension plan investments	9,223	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,079	131,688
The Board contributions subsequent to the measurement date	<u>13,262</u>	<u>-</u>
	\$ <u>201,858</u>	\$ <u>171,492</u>

The \$13,262 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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	\$ 21,469
2022	(8,021)
2023	(14,222)
2024	17,878
2025	-
Thereafter	-

### *Actuarial Assumptions*

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00% net of investment expenses
Cost-of-living adjustments	None

(Continued)

# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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%	6.30%
International equity	21%	6.85%
Private equity	7%	9.75%
Domestic fixed income	23%	1.25%
International fixed income	0%	0.00%
Global real assets	19%	5.01%
Cash equivalents	0%	0.00%

### *Discount Rate*

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.



# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 4.64%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64%) or 1-percentage-point higher (5.64%) than the current rate:

	<b>1% Decrease (3.64%)</b>	<b>Current Discount Rate (4.64%)</b>	<b>1% Increase (5.64%)</b>
Employer's proportionate share of net pension liability	\$ 370,743	\$ 285,753	\$ 216,211

### *Pension Plan Fiduciary Net Pension*

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

### **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, 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 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.

(Continued)



# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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***

On June 30, 2021, the Board reported a liability of \$7,394 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Board's proportion of the net OPEB liability was based on the Board's share of covered employee payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. On June 30, 2020, the Employer's proportion was 0.008790% with was an increase of 0.000044% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Board recognized OPEB income of \$589. On June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 164	\$ 177
Changes of assumptions	991	-
Net difference between projected and actual earnings on pension plan investments	254	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	8,698
The Board contributions subsequent to the measurement date	<u>1,233</u>	<u>-</u>
	\$ <u>2,642</u>	\$ <u>8,875</u>

The \$1,233 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## NOTES TO FINANCIAL STATEMENTS FOR 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	\$ (1,415)
2022	(1,350)
2023	(1,362)
2024	(1,433)
2025	(1,548)
2026	(358)
Thereafter	-

**Actuarial assumptions.** The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap domestic equities	33%	6.10%
Small cap domestic equities	6%	7.00%
Domestic fixed income	40%	1.15%
International equities	21%	6.45%



# NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### *Discount Rate*

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Employer's proportionate share of net pension liability	\$ <u>9,698</u>	\$ <u>7,394</u>	\$ <u>5,446</u>

### **NOTE 7 – COMPENSATED ABSENCES**

The Board has implemented the provisions of GASB Statement No. 16 - Accounting for Compensated Absences. As per this provision, probable payments, if any, for vested vacation leave, plus associated payroll expenses, have been accrued at the end of each year. As of June 30, 2021, the Board's total liability for accrued vacation leave is \$8,124.

The provision for termination payments of accrued sick leave is calculated at 10% of unused, accrued, unpaid sick leave for employees with at least ten continuous years of employment. As of June 30, 2021, the Board's total liability for accrued sick leave is \$342.

### **NOTE 8 – OFFICE LEASE**

The Board entered into a 12-month lease beginning May 1, 2018, and maturing April 31, 2019, with the option to extend the lease for four additional one-year terms. The monthly lease payment under the lease is \$500, increasing by \$15 for each one-year extension. Rent paid by the Board during the year ended June 30, 2021, was \$6,375.

The Board's future minimum lease payments are as follows:

2022	\$ 6,570
2023	5,600



**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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 Board has insurance through a third-party insurance carrier for general liability, property and liability, and medical expenses. The coverage is limited to losses of a blanket limit of \$2,000,000 for general liability, \$2,000,000 for the property, and \$ 1,000,000 for liability and medical expenses.

**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**

**REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS\***

Schedule of Employer's Share of Net Pension Liability

Pension Plan	Measurement Date	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
ND PERS	6/30/2020	0.009083%	\$ 285,753	\$ 100,200	285.18%	48.91%
ND PERS	6/30/2019	0.009382%	\$ 109,964	\$ 97,588	112.68%	71.66%
ND PERS	6/30/2018	0.027538%	\$ 464,734	\$ 282,904	164.27%	62.80%
ND PERS	6/30/2017	0.027418%	\$ 440,697	\$ 279,896	157.45%	61.98%
ND PERS	6/30/2016	0.027103%	\$ 264,145	\$ 273,130	96.71%	77.10%
ND PERS	6/30/2015	0.003271%	\$ 22,242	29,138	76.33%	77.70%

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



**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**  
**SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS\***

Schedule of Employer's Contributions

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND PERS	6/30/2020	\$ 7,095	\$ (7,134)	\$ (39)	\$ 100,200	7.12%
ND PERS	6/30/2019	\$ 7,105	\$ (11,062)	\$ (3,957)	\$ 97,588	11.34%
ND PERS	6/30/2018	\$ 20,837	\$ (20,143)	\$ 694	\$ 282,904	7.12%
ND PERS	6/30/2017	\$ 20,296	\$ (19,934)	\$ 362	\$ 279,896	7.12%
ND PERS	6/30/2016	\$ 19,774	\$ (19,447)	\$ 327	\$ 273,130	7.12%
ND PERS	6/30/2015	\$ 2,213	\$ (2,075)	\$ 138	\$ 29,138	7.12%

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

**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY**  
**JUNE 30, 2021**

	Measurement date of			
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>NDPERS - OPEB</b>				
Employer's proportion of the net OPEB liability	0.008790%	0.008746%	0.025854%	0.025872%
Employer's proportionate share of the net OPEB liability	\$ 7,394	\$ 7,025	\$ 20,362	20,465
Employer's covered-employee payroll	\$ 100,200	\$ 97,588	\$ 282,904	279,896
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.38%	7.20%	7.20%	7.31%
Plan fiduciary net position as a percentage of the total pension liability	63.38%	63.13%	61.89%	59.78%

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

**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**  
**SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS**  
**JUNE 30, 2021**

	Measurement date of			
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>NDPERS - OPEB</b>				
Statutorily required contribution	\$ 1,177	\$ 1,135	\$ 1,771	\$ 3,318
Contributions in relation to the statutorily required contribution	\$ (1,142)	\$ (1,771)	\$ (1,771)	\$ (3,225)
Contribution deficiency (excess)	\$ 35	\$ (636)	\$ -	\$ 93
Employer's covered-employee payroll	\$ 100,200	\$ 97,588	\$ 155,362	\$ 282,904
Contributions as a percentage of covered-employee payroll	1.14%	1.81%	1.14%	1.14%

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



**NORTH DAKOTA STATE BOARD OF ACCOUNTANCY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**NOTE 1 – SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTION**

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the Board will present information for those years for which information is available.

**NOTE 2 – CHANGES OF BENEFITS TERMS**

**Pension**

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 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, 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 increased 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, 2019.

**OPEB**

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date are not eligible to participate in RHIC. Therefore, RHIC has 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, 2019.

**NOTE 3 – CHANGES OF ASSUMPTIONS**

**Pension**

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

- The investment return assumption was lowered from 7.5% to 7.0%.
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation.
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation.
- Mortality table updates were made for the July 1, 2020 valuation.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**OPEB**

The pension Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020, valuation:

- The investment return assumption was lowered from 7.25% to 6.50%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.



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

To the Board of Directors  
**North Dakota State Board of Accountancy**  
Grand Forks, 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 of **North Dakota State Board of Accountancy**, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise **North Dakota State Board of Accountancy's** basic financial statements and have issued our report thereon dated October 13, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a significant deficiency. Member of



## Compliance and Other Matters

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

## North Dakota State Board of Accountancy's Response to Findings

**North Dakota State Board of Accountancy's** response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **North Dakota State Board of Accountancy'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.



Fargo, North Dakota  
October 13, 2021



## NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

#### 2021-001 (SIGNIFICANT DEFICIENCY) – SEGREGATION OF DUTIES

##### *Condition*

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

##### *Criteria*

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting, and reconciliation.

##### *Cause*

Due to the size of **North Dakota State Board of Accountancy**, the board does not have sufficient staff to ensure adequate segregation of approval, custody of assets, posting, and reconciliation.

##### *Effect*

Inadequate segregation of duties could adversely affect the **North Dakota State Board of Accountancy's** ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees or management in the normal course of performing their assigned functions.

##### *Recommendation*

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the **North Dakota State Board of Accountancy** implement and/or continue the following:

- All invoices should be or continue to be reviewed and approved by the executive director and the governing board.
- Ideally, all checks should be or continued to be signed by the executive director and/or a board member.
- Monthly income statements and balance sheets should be reviewed and approved by a responsible official and the governing board.
- Bank reconciliations should be or continue to be reviewed and approved by someone separate from bank reconciliation responsibilities.

##### *Views of Responsible Officials*

Due to the size of the Board, it is not feasible to obtain proper segregation of duties. The cost of adding personnel would exceed the benefit. The Board's Secretary reviews transactions monthly and approves expense reimbursements of the Board's Executive Director. Further at Board meetings the full board reviews all transactions and ratifies the activity. The Board manages the annual budget set at the beginning of the fiscal year.