

**NORTH DAKOTA STATE ELECTRICAL BOARD
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Dakota State Electrical Board
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the North Dakota State Electrical Board as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the North Dakota State Electrical Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the North Dakota State Electrical Board as of June 30, 2021 and 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Dakota State Electrical Board's basic financial statements. The detailed statements of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. The detailed statements of revenues and expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2022 on our consideration of North Dakota State Electrical Board'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 State Electrical Board'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 State Electrical Board's internal control over financial reporting and compliance.



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

January 6, 2022

NORTH DAKOTA STATE ELECTRICAL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020

As management of the North Dakota State Electrical Board, we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal years ended June 30, 2021 and 2020.

Financial Highlights

- The net position of the Board as of June 30, 2021 and 2020 was \$9,337,374 and \$10,853,149, respectively.
- The Board's total net position increased or decreased for the years ended June 30, 2021 and 2020 by \$(1,515,775) and \$471,496, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the North Dakota State Electrical Board's basic financial statements. The Board's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide-financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Board that are principally supported by inspection fee revenue.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Board are governmental funds.

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

NORTH DAKOTA STATE ELECTRICAL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021 AND 2020

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

Pursuant to NDCC 43-09, the Board is charged with the responsibility to examine applicants and issue licenses to those having the necessary qualifications and knowledge in the laws of electricity and electrical codes. The board has jurisdiction over all electrical installations. The Board's primary source of revenue is generated through electrical inspections and license fees.

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

The following table presents condensed financial information on the Board's Net Position as of June 30, 2021, 2020 and 2019.

Net Position as of June 30, 2021, 2020 and 2019

	Governmental Activities 2021	Governmental Activities 2020	Governmental Activities 2019
Current and other assets	\$ 12,458,973	\$ 13,008,260	\$ 12,447,478
Capital assets	103,198	119,170	162,576
Total assets	12,562,171	13,127,430	12,610,054
Deferred outflow - pension	3,211,910	910,432	1,030,077
Deferred outflow - OPEB	55,472	42,521	31,500
Total deferred outflows of resources	3,267,382	952,953	1,061,577
Current liabilities	525,284	415,320	525,295
Long-term liabilities	5,192,906	1,841,989	2,484,345
Total liabilities	5,718,190	2,257,309	3,009,640
Deferred inflow - pension	767,667	962,347	271,031
Deferred inflow - OPEB	6,327	7,588	9,307
Total deferred inflows of resources	773,994	969,935	280,338
Net position:			
Net investment in capital assets	103,198	119,170	162,576
Unrestricted	9,234,171	10,733,969	10,219,077
Total net position	\$ 9,337,369	\$ 10,853,139	\$ 10,381,653

NORTH DAKOTA STATE ELECTRICAL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021 AND 2020

The following table presents condensed financial information on the Board's Changes in Net Position for the fiscal years ended June 30, 2021, 2020, and 2019.

	Governmental Activities 2021	Governmental Activities 2020	Governmental Activities 2019
Revenues:			
General revenues:			
Interest on investments	\$ 37,340	\$ 67,187	\$ 46,690
Gain (loss) on sale of capital assets		-	400
Program revenues:			
Inspection fees	3,297,517	4,252,348	4,166,726
Other income	194,556	237,027	321,053
Total revenues	<u>3,529,413</u>	<u>4,556,562</u>	<u>4,534,869</u>
Expenses:			
Governmental Activities			
Regulatory program	5,045,183	4,085,076	3,961,605
Total expenses	<u>5,045,183</u>	<u>4,085,076</u>	<u>3,961,605</u>
Change in net position	<u>(1,515,770)</u>	471,486	573,264
Net position, beginning of year	10,853,139	10,381,653	9,808,389
Net position, end of year	<u>\$ 9,337,369</u>	<u>\$ 10,853,139</u>	<u>\$ 10,381,653</u>

Inspections fees totaled \$3,297,517, \$4,252,348 and \$4,166,726 for the years ended June 30, 2021, 2020 and 2019, respectively. The decrease in inspection fees is due to the negative effects of the COVID-19 pandemic.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets and deferred outflows exceeded liabilities and deferred inflows for the years ended June 30, 2021 and 2020 by \$9,337,369 and \$10,853,139, respectively.

Cash and investments represent by far the largest portion of the Board's net position. The Board uses these assets to balance the demand for services that are required to maintain a steady and consistent electrical licensing and inspection department.

NORTH DAKOTA STATE ELECTRICAL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021 AND 2020

Financial Analysis of the Government's Funds

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

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

Capital Asset and Debt Administration

Capital Assets – The North Dakota State Electrical Board's investment in capital assets, net of related debt for its governmental type activities as of June 30, 2021 and 2020 amount to \$103,228 and \$119,170 (net of accumulated depreciation). This investment in capital assets includes intangible asset for software, furniture and equipment, and leasehold improvements. See note 3 for further details on capital assets.

Capital Assets (net of depreciation)

	Primary Government Governmental Activities		
	2021	2020	2019
Leasehold improvements	\$ 77,904	\$ 64,390	\$ 71,612
Furniture and equipment	14,727	12,513	16,697
Intangible asset - software	10,567	42,267	73,967
	<u>\$ 103,198</u>	<u>\$ 119,170</u>	<u>\$ 162,276</u>

Economic Factors

The increase in electrical work in prior years is reflected toward the general increase of North Dakota's economy, particularly in the oil industry. The consumer demand for electrical work seems to increase and decrease from year-to-year due to the construction and oil industry and other factors that affect various aspects of North Dakota's economy.

Requests for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to North Dakota State Electrical Board, P.O. Box 7335, Bismarck, ND 58507-7335.

NORTH DAKOTA STATE ELECTRICAL BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,083,845	\$ 8,628,895
Investments	4,320,000	4,320,000
Accounts receivable	51,645	49,797
Interest receivable	3,483	9,568
Total current assets	<u>12,458,973</u>	<u>13,008,260</u>
Capital assets:		
Depreciable assets, net	<u>103,198</u>	<u>119,170</u>
Total assets	<u>12,562,171</u>	<u>13,127,430</u>
DEFERRED OUTFLOW OF RESOURCES		
Cost sharing defined benefit - pension	3,211,910	910,432
Cost sharing defined benefit - OPEB	<u>55,472</u>	<u>42,521</u>
Total deferred outflow of resources	<u>3,267,382</u>	<u>952,953</u>
LIABILITIES		
Current liabilities:		
Accounts payable	110,557	100,012
Payroll liabilities	29,423	32,656
Unearned revenue	212,798	110,203
Compensated absences due within one year	<u>172,506</u>	<u>172,449</u>
Total current liabilities	<u>525,284</u>	<u>415,320</u>
Non-current liabilities:		
Compensated absences due in more than one year	35,431	21,696
Net pension liability	5,023,504	1,700,583
Net OPEB liability	<u>133,971</u>	<u>119,710</u>
Total non-current liabilities	<u>5,192,906</u>	<u>1,841,989</u>
Total liabilities	<u>5,718,190</u>	<u>2,257,309</u>
DEFERRED INFLOW OF RESOURCES		
Cost sharing defined benefit - pension	767,667	962,347
Cost sharing defined benefit - OPEB	<u>6,327</u>	<u>7,588</u>
Total deferred inflow of resources	<u>773,994</u>	<u>969,935</u>
NET POSITION		
Net investment in capital assets	103,198	119,170
Unrestricted	<u>9,234,171</u>	<u>10,733,969</u>
Total net position	<u>\$ 9,337,369</u>	<u>\$ 10,853,139</u>

See Notes to the Financial Statements

NORTH DAKOTA STATE ELECTRICAL BOARD
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2021		<u>Program Revenues</u>	
Functions/Programs		Charges for	Net
Governmental Activities:	<u>Expenses</u>	Services	(Expense) Revenue
Regulatory program	<u>\$ 5,045,183</u>	<u>\$ 3,492,073</u>	\$ (1,553,110)
General revenues:			
Unrestricted investment earnings			<u>37,340</u>
Total general revenues			<u>37,340</u>
Total change in net position			(1,515,770)
Net position, beginning of year			<u>10,853,139</u>
Net position, end of year			<u>\$ 9,337,369</u>

2020		<u>Program Revenues</u>	
Functions/Programs		Charges for	Net
Governmental Activities:	<u>Expenses</u>	Services	(Expense) Revenue
Regulatory program	<u>\$ 4,085,076</u>	<u>\$ 4,489,375</u>	\$ 404,299
General revenues:			
Unrestricted investment earnings			<u>67,187</u>
Total change in net position			471,486
Net position, beginning of year, as previously stated			<u>10,381,653</u>
Net position, end of year			<u>\$ 10,853,139</u>

See Notes to the Financial Statements

NORTH DAKOTA STATE ELECTRICAL BOARD
BALANCE SHEETS - GOVERNMENTAL FUND / GENERAL FUND
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 8,083,845	\$ 8,628,895
Investments	4,320,000	4,320,000
Accounts receivable	51,645	49,797
Interest receivable	<u>3,483</u>	<u>9,568</u>
Total assets	<u><u>\$ 12,458,973</u></u>	<u><u>\$ 13,008,260</u></u>
LIABILITIES		
Accounts payable	\$ 110,557	\$ 100,012
Payroll liabilities	29,423	32,656
Unearned revenue	<u>212,798</u>	<u>110,203</u>
Total liabilities	<u>352,778</u>	<u>242,871</u>
FUND BALANCES		
Unassigned	<u>12,106,195</u>	<u>12,765,389</u>
Total fund balance	<u>12,106,195</u>	<u>12,765,389</u>
Total liabilities and fund balance	<u><u>\$ 12,458,973</u></u>	<u><u>\$ 13,008,260</u></u>
Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2021 and 2020		
Total fund balance	\$ 12,106,195	\$ 12,765,389
Capital assets used in governmental activities	103,198	119,170
Cost sharing defined benefit - pension	3,211,910	910,432
Cost sharing defined benefit - OPEB	55,472	42,521
Liability for compensated absences	(207,937)	(194,145)
Liability for net pension	(5,023,504)	(1,700,583)
Liability for net OPEB	(133,971)	(119,710)
Cost sharing defined benefit - pension	(767,667)	(962,347)
Cost sharing defined benefit - OPEB	<u>(6,327)</u>	<u>(7,588)</u>
Net position of governmental activities	<u><u>\$ 9,337,369</u></u>	<u><u>\$ 10,853,139</u></u>

See Notes to the Financial Statements

NORTH DAKOTA STATE ELECTRICAL BOARD
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUND / GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Revenues:		
Inspection fees	\$ 3,297,517	\$ 4,252,348
Master examinations	8,850	7,650
Master license	33,963	63,200
Journeyman examinations	9,525	10,300
Journeyman license	34,913	64,613
Class B examination	-	80
Class B license	213	533
Apprentice registrations	14,120	18,978
Reinstatements	22,115	20,490
Administration and late fees	27,937	26,477
Continuing education and seminars	32,111	23,255
Interest income	37,340	67,187
Miscellaneous	10,427	1,451
Total revenues	<u>3,529,031</u>	<u>4,556,562</u>
Expenditures:		
Salaries and benefits	2,490,591	2,447,416
Operating expenses	1,670,420	1,382,503
Equipment	27,214	-
Total expenditures	<u>4,188,225</u>	<u>3,829,919</u>
Revenues over (under) expenditures	(659,194)	726,643
Fund balance - July 1	<u>12,765,389</u>	<u>12,038,746</u>
Fund balance - June 30	<u><u>\$ 12,106,195</u></u>	<u><u>\$ 12,765,389</u></u>

**Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Fund to the Statement of Activities
For the Fiscal Years Ended June 30, 2021 and 2020**

Net changes in fund balance	\$ (659,191)	\$ 726,643
Depreciation expense	(43,189)	(43,406)
Capital outlay	27,214	-
Increase (decrease) in deferred outflows	2,314,429	(108,626)
Increase in compensated absences liability	(13,792)	(13,327)
Decrease (increase) in net pension liability	(3,322,921)	607,526
Increase in net OPEB liability	(14,261)	(7,727)
Decrease (increase) in deferred inflows	<u>195,941</u>	<u>(689,597)</u>
Change in net position of governmental activities	<u><u>\$ (1,515,770)</u></u>	<u><u>\$ 471,486</u></u>

See Notes to the Financial Statements

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

For financial reporting purposes, the North Dakota State Electrical Board includes all funds, programs, and activities over which it is financially accountable. The North Dakota State Electrical Board does not have any component units as defined by the Governmental Accounting Standards Board, and is not a component unit of another reporting entity.

The North Dakota State Electrical Board was created in 1917 by North Dakota Statute (NDCC 43-09). The Board is charged with the responsibility to examine applicants and issue licenses to those having the necessary qualifications and knowledge in the laws of electricity and electrical codes. The Board has jurisdiction over all electrical installations. Electrical inspectors authorized by the Board may condemn installations hazardous to life and property and order electric service to be discontinued.

Government-Wide and Fund Financial Statements

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

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

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

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

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

Separate fund financial statements are provided for the North Dakota State Electrical Board governmental funds.

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021 AND 2020

Fund Accounting Structure

The Board uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounting and reporting treatment applied to a fund is determined by its measurement focus. The Board has one fund, the general fund. The general fund is used to account for the collection of fees, license renewals and transactions relating to the general operations of providing qualified electricians to install and repair electrical services to the citizens of the state.

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.

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

Assigned – This classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts that are not classified as non-spendable and are neither restricted nor committed.

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

When both restricted and unrestricted resources are available for use, the Board's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned – in order as needed.

The Board has set a General Fund minimum balance target at twenty four months of operating expenditures.

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021 AND 2020

Basis for Accounting

The government-wide statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when collected and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Inspection fee revenues are recognized when the contractor sends in the final certificate.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

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

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts held in checking and savings accounts.

Investments

Investments are carried at fair value and consist entirely of certificates of deposit.

Accounts Receivables

Accounts receivable consist of inspections fees to be collected for jobs completed as of year-end. No allowance for doubtful accounts is recorded for the years ended June 30, 2021 and 2020, as management considers all accounts to be collectible.

Capital Assets

Capital assets, which include intangible assets - software, furniture and equipment, and leasehold improvements are valued at historical cost or at estimated historical cost if actual historical cost is not available. Equipment with a cost of \$5,000 or more is capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Software with a cost of \$5,000 or more is capitalized. Costs incurred for repairs and maintenance or service contracts are expensed as incurred.

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

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021 AND 2020

<u>Description</u>	<u>Estimated Useful Life</u>
Intangible asset – software	3 years
Furniture and equipment	5-7 years
Leasehold improvements	15 years

Costs incurred for repairs and maintenance are expensed as incurred, unless they significantly extend the useful life of an asset, then these costs are capitalized.

Unearned Revenue

Unearned revenue represents unearned inspection revenue and unearned license revenue. The unearned inspection revenues are the result of deposits from electricians held by the State Electrical Board for the future issuance of inspection certificates. The unearned license revenues are the result of the license period overlapping two fiscal years. The portion applicable to the next fiscal year is unearned license revenue in the current fiscal year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The Board has two items that 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 OPEB plans as well as amounts paid to the plans after the measurement date. See note 5 and note 7 for further details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board has two types of items that qualify for reporting in this category. These items, *cost sharing defined benefit – pension* and *cost sharing defined benefit – OPEB*, represents actuarial differences within NDPERS pension and OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See note 5 and note 7 for further details.

Compensated Absences

N.D.C.C 54-06-14 allows employees to accrue annual leave at a variable rate between one and two days per month based on years of service. In general, accrued annual leave cannot exceed thirty days at each calendar year end. Employees are paid for unused annual leave upon termination or retirement.

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

NORTH DAKOTA STATE ELECTRICAL BOARD
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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 Employee 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/deduction 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.

Use of 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.

NOTE 2 DEPOSITS

Custodial Credit Risk – Deposits

Custodial credit risk is risk associated with the failure of a depository financial institution to recover its deposits or collateralized securities that are in the possession of outside parties. The Board does not have a formal deposit policy for custodial credit risk for deposits.

North Dakota State Electrical Board maintains interest bearing cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000 per financial institution. At June 30, 2021 and 2020, the Board had \$8,060,119 and \$8,715,344, respectively, of deposits that were exposed to custodial credit risk. These deposits were backed by the full faith and credit of the State of North Dakota.

State statute requires the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

NORTH DAKOTA STATE ELECTRICAL BOARD
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NOTE 3 CAPITAL ASSETS

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

	<u>7/1/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/21</u>
Capital assets being depreciated:				
Intangible asset - software	\$ 106,100	\$ -	\$ -	\$ 106,100
Furniture and equipment	61,585	6,245	-	67,830
Leasehold improvements	108,319	20,969	-	129,288
	<u>276,004</u>	<u>27,214</u>	<u>-</u>	<u>303,218</u>
Less accumulated depreciation for:				
Intangible asset - software	63,833	31,700	-	95,533
Furniture and equipment	49,072	4,031	-	53,103
Leasehold improvements	43,929	7,455	-	51,384
	<u>156,834</u>	<u>43,186</u>	<u>-</u>	<u>200,020</u>
Net investment in capital assets	<u>\$ 119,170</u>	<u>\$ (15,972)</u>	<u>\$ -</u>	<u>\$ 103,198</u>

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

	<u>7/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/20</u>
Capital assets being depreciated:				
Intangible asset - software	\$ 106,100	\$ -	\$ -	\$ 106,100
Furniture and equipment	61,585	-	-	61,585
Leasehold improvements	108,319	-	-	108,319
	<u>276,004</u>	<u>-</u>	<u>-</u>	<u>276,004</u>
Less accumulated depreciation for:				
Intangible asset - software	32,133	31,700	-	63,833
Furniture and equipment	44,588	4,484	-	49,072
Leasehold improvements	36,707	7,222	-	43,929
	<u>113,428</u>	<u>43,406</u>	<u>-</u>	<u>156,834</u>
Net investment in capital assets	<u>\$ 162,576</u>	<u>\$ (43,406)</u>	<u>\$ -</u>	<u>\$ 119,170</u>

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021 AND 2020

NOTE 4 ACCRUED COMPENSATED ABSENCES

A summary of changes in accrued compensated absences for the year ended June 30, 2021 is as follows:

	Balance 7/1/20	Additions	Reductions	Balance 06/30/21	Due Within One Year
Compensated absences	<u>\$194,145</u>	<u>\$196,108</u>	<u>\$(182,316)</u>	<u>\$207,937</u>	<u>\$172,506</u>

A summary of changes in accrued compensated absences for the year ended June 30, 2020 is as follows:

	Balance 7/1/19	Additions	Reductions	Balance 06/30/20	Due Within One Year
Compensated absences	<u>\$180,818</u>	<u>\$133,585</u>	<u>\$(120,258)</u>	<u>\$194,145</u>	<u>\$172,449</u>

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. 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 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier.

NORTH DAKOTA STATE ELECTRICAL BOARD
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Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021 AND 2020

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, the Employer reported a liability of \$5,023,504 and \$1,700,583 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021, the Employer's proportion was 0.159678% percent, which was an increase of 0.014586% from its proportion measured as of June 30, 2020. At June 30, 2020, the Employer's proportion was 0.145092% percent, which was an increase of 0.008324% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized pension expense of \$946,384. At 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	\$ 19,550	\$ (254,546)
Changes of assumptions	2,692,915	(445,205)
Net difference between projected and actual earnings on pension plan investments	162,133	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	216,914	(67,916)
Employer contributions subsequent to the measurement date	120,398	-
Total	<u>\$ 3,211,910</u>	<u>\$ (767,667)</u>

\$120,398 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date that 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 ending June 30:

2022	\$ 674,124
2023	590,981
2024	507,483
2025	551,257

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For the year ended June 30, 2020, the Employer recognized pension expense of \$324,420. At June 30, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,007	\$ (308,623)
Changes of assumptions	635,463	(545,600)
Net difference between projected and actual earnings on pension plan investments	29,628	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	123,349	(108,123)
Employer contributions subsequent to the measurement date	120,985	-
Total	\$ 910,432	\$ (962,347)

\$

120,985 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

Year ending June 30:

2021	\$ 70,859
2022	8,076
2023	(67,020)
2024	(140,956)
2025	(43,859)

Actuarial Assumptions

The total pension liability in the July 1, 2020 and 2019 actuarial valuations were determined using the following assumptions, applied to all periods included in the measurement:

7/1/20 Valuation

Inflation	2.25%
Salary increases	3.50% to 17.75%, including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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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.

7/1/19 Valuation

Inflation	2.50%		
Salary increases		Service At	
		Beginning	
		of Year	
		0	12.00%
		1	9.50%
		2	7.25%
		3	
		4	
		Age	
		Under 30	7.25%
		30-39	6.50%
		40-49	6.25%
		50-59	5.75%
		60+	5.00%
		*Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.50%, net of investment expenses		
Cost-of-living adjustments	None		

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

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	7/1/2020 Valuation		7/1/2019 Valuation	
Asset Class	Long-Term Expected		Long-Term Expected	
	Target Allocation	Real Rate of Return	Target Allocation	Real Rate of Return
Domestic Equities	30.00%	6.30%	30.00%	6.25%
International Equities	21.00%	6.85%	21.00%	6.95%
Private Equity	7.00%	9.75%	7.00%	10.15%
Domestic Fixed Income	23.00%	1.25%	23.00%	2.11%
Global Real Assets	19.00%	5.01%	19.00%	5.41%

Discount Rate

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

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

For the purpose of the July 1, 2020 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%.

For the purpose of the July 1, 2019 valuation, the expected rate of return on pension plan investments is 7.50%, the municipal bond rate is 3.13%, and the resulting Single Discount Rate is 7.50%.

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

The following 2021 schedule presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

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June 30, 2021

	1% Decrease 3.64%	Current Discount Rate 4.64%	1% Increase 5.64%
proportionate share of the net pension liability	\$ 6,517,619	\$ 5,023,504	\$ 3,800,954

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

June 30, 2020

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	\$ 2,438,270	\$ 1,700,583	\$ 1,080,797

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 or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 6 NORTH DAKOTA DEFINED CONTRIBUTION RETIREMENT PLAN

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The administrative costs of the Defined Contribution plan are funded by forfeitures of non-vested employee contributions and administrative fees charged to individual participants. The Defined Contribution plan covers all employees who elect to participate in the plan. Effective October 1, 2013, eligibility was expanded to include all employees hired on or after October 1, 2014 through July 31, 2017.

Death and disability benefits are set by statute. Upon the death of a participating employee or former participating employee, the vested balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the Agency is eligible to receive a distribution of the vested balance. To qualify under this section, the employee must meet the criteria established by the plan for being totally disabled.

Benefits are set by statute. Employees are entitled to vested balance. A participating employee is immediately 100% vested in the employee's contributions. A participating employee vests in the employer contributions made on the employee's behalf as follows:

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Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution.

Contributions are set by state statute and are a percentage of salaries and wages. Employee contributions are 7% and employer contributions are established at 7.12%. The Board paid for 4% of the employee contribution percentage during the fiscal years ended June 30, 2021 and 2020. Employer required contributions totaled \$12,262 and \$11,196 for the years ended June 30, 2021 and 2020, respectively.

NOTE 7 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.

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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 employees, 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, 2021 and 2020, the Employer reported an OPEB liability of \$133,971 and \$119,710 for its proportionate share of the net OPEB liability, respectively. The net OPEB liability was measured as of June 30, 2020 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 Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Employer's proportion was 0.159262%, which was an increase of 0.010218% from its proportion measured as of June 30, 2020. At June 30, 2020, the Employer's proportion was 0.149044%, which was an increase of 0.006856% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized OPEB expense of \$20,772. At June 30, 2021, the Employer 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	\$ 2,975	\$ (3,212)
Changes of assumptions	17,963	-
Net difference between projected and actual earnings on OPEB plan investments	4,607	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,204	(3,115)
Employer contributions subsequent to the measurement date	<u>20,723</u>	<u>-</u>
Total	<u>\$ 55,472</u>	<u>\$ (6,327)</u>

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\$20,723 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB 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 OPEB expense as follows:

Year ending June 30:

2022	\$	5,799
2023		6,990
2024		6,772
2025		5,451
2026		3,093
Thereafter		317

For the year ended June 30, 2020, the Employer recognized OPEB expense of \$16,514. At June 30, 2020, the Employer 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	\$ 2,956	\$ (3,740)
Changes of assumptions	14,040	-
Net difference between projected and actual earnings on pension plan investments	133	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,227	(3,848)
Employer contributions subsequent to the measurement date	<u>21,164</u>	<u>-</u>
Total	<u>\$ 42,521</u>	<u>\$ (7,588)</u>

\$21,164 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021.

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

Year ending June 30:

2021	\$	2,082
2022		2,082
2023		3,196
2024		2,992
2025		1,757
Thereafter		1,660

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuations 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 total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021 AND 2020

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 and 2019 are summarized in the following table:

Asset Class	7/1/2020 Valuation		7/1/2019 Valuation	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%	33%	6.00%
Small Cap Domestic Equities	6%	7.00%	6%	7.30%
International Equities	21%	6.45%	21%	6.95%
Domestic Fixed Income	40%	1.15%	40%	2.07%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50% in 2021 and 7.25% in 2020. 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.

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021 AND 2020

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

The following present the Employer's proportionate share of the net OPEB liability calculated as of June 30, 2021 using the discount rate of 6.50 percent, 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:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net OPEB liability	\$ 175,706	\$ 133,971	\$ 98,678

The following present the Employer's proportionate share of the net OPEB liability calculated as of June 30, 2020 using the discount rate of 7.25 percent, 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:

June 30, 2020

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's proportionate share of the net pension liability	\$ 152,794	\$ 119,710	\$ 91,390

NOTE 8 LEASES

The Board leases office space under operating lease through June 30, 2034. The Board also leases apartments in Watford City and Stanley, North Dakota on a month to month lease. Future payments on operating leases are as follows:

2022	\$ 48,885
2023	46,350
2024	47,700
2025	47,700
2026	49,050
2027-2030	201,750
2031-2034	212,700

Rental expense was \$55,221 and \$59,776 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 RISK MANAGEMENT

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

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021 AND 2020

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 Board pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period. The State Bonding Fund currently provides the Board with blanket fidelity bond coverage in the amount of \$100,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The North Dakota Workforce Safety & Insurance is an enterprise fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

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

NOTE 10 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 June 15, 2021. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021 AND 2020

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, Replacement of Interbank Offered Rates, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, Subscription-Based Information Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021 AND 2020

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

NOTE 11 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Board's year end. Subsequent events have been evaluated through January 6, 2022, which is the date these financial statements were available to be issued.

NORTH DAKOTA STATE ELECTRICAL BOARD
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance with Budget
Revenues:				
Inspection fees	\$ 3,639,000	\$ 3,639,000	\$ 3,297,517	\$ (341,483)
Master examinations	8,000	8,000	8,850	850
Master license	50,000	50,000	33,963	(16,037)
Journeyman examinations	12,000	12,000	9,525	(2,475)
Journeyman license	91,000	91,000	34,913	(56,087)
Class B examination	100	100	-	(100)
Class B license	400	400	213	(187)
Apprentice registrations	30,000	30,000	14,120	(15,880)
Reinstatements	6,000	6,000	22,115	16,115
Sale of code books	5,000	5,000	-	(5,000)
Administration and late fees	25,000	25,000	27,937	2,937
Continuing education and seminars	38,000	38,000	32,111	(5,889)
Interest income	18,500	18,500	37,340	18,840
Miscellaneous	2,500	2,500	10,427	7,927
Total revenues	<u>3,925,500</u>	<u>3,925,500</u>	<u>3,529,031</u>	<u>(396,469)</u>
Expenditures:				
Salaries and benefits	2,124,500	2,124,500	2,490,591	(366,091)
Operating expenses	1,771,000	1,771,000	1,670,420	100,580
Equipment	<u>30,000</u>	<u>30,000</u>	<u>27,214</u>	<u>2,786</u>
Total expenditures	<u>3,925,500</u>	<u>3,925,500</u>	<u>4,188,225</u>	<u>(262,725)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(659,194)</u>	<u>\$ (659,194)</u>
Fund balance - July 1			<u>12,765,389</u>	
Fund balance - June 30			<u>\$ 12,106,195</u>	

See Notes to Required Supplementary Information

NORTH DAKOTA STATE ELECTRICAL BOARD
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance with Budget
Revenues:				
Inspection fees	\$ 3,746,300	\$ 3,746,300	\$ 4,252,348	\$ 506,048
Master examinations	8,000	8,000	7,650	(350)
Master license	50,000	50,000	63,200	13,200
Journeyman examinations	12,000	12,000	10,300	(1,700)
Journeyman license	91,000	91,000	64,613	(26,387)
Class B examination	100	100	80	(20)
Class B license	400	400	533	133
Apprentice registrations	30,000	30,000	18,978	(11,022)
Reinstatements	9,000	9,000	20,490	11,490
Sale of code books	9,000	9,000	-	(9,000)
Administration and late fees	20,000	20,000	26,477	6,477
Continuing education and seminars	32,000	32,000	23,255	(8,745)
Interest income	20,000	20,000	67,187	47,187
Miscellaneous	5,000	5,000	1,451	(3,549)
Total revenues	4,032,800	4,032,800	4,556,562	523,762
Expenditures:				
Salaries and benefits	2,257,500	2,257,500	2,447,416	(189,916)
Operating expenses	1,872,300	1,872,300	1,382,503	489,797
Equipment	172,000	172,000	-	172,000
Total expenditures	4,301,800	4,301,800	3,829,919	471,881
Revenues over expenditures	<u>\$ (269,000)</u>	<u>\$ (269,000)</u>	726,643	<u>\$ 51,881</u>
Fund balance - July 1			12,038,746	
Fund balance - June 30			<u>\$ 12,765,389</u>	

See Notes to Required Supplementary Information

NORTH DAKOTA STATE ELECTRICAL BOARD
SCHEDULES 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
2021	0.159678%	\$ 5,023,504	\$ 1,699,228	295.63%	48.91%
2020	0.145092%	1,700,583	1,509,200	112.68%	71.66%
2019	0.136768%	2,308,109	1,466,517	157.39%	62.80%
2018	0.141058%	2,267,265	1,586,936	142.87%	61.98%
2017	0.164599%	1,604,178	1,658,769	96.71%	70.46%
2016	0.153933%	1,046,718	1,371,360	76.33%	77.15%
2015	0.133650%	848,305	1,125,847	75.35%	72.12%

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

See Notes to Required Supplementary Information

NORTH DAKOTA STATE ELECTRICAL BOARD
SCHEDULES 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
2021	0.159262%	\$ 133,971	\$ 1,856,476	7.22%	63.38%
2020	0.149044%	119,710	1,663,120	7.20%	63.13%
2019	0.142188%	111,983	1,577,524	7.10%	61.89%
2018	0.146246%	115,682	1,582,152	7.31%	59.78%

*Complete data for this schedule is not available prior to 2018.

See Notes to Required Supplementary Information

NORTH DAKOTA STATE ELECTRICAL BOARD
SCHEDULES 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
2021	\$ 120,398	\$ (120,398)	\$ -	\$ 1,684,716	7.15%
2020	120,985	(120,985)	-	1,699,228	7.12%
2019	107,455	(107,455)	-	1,509,200	7.12%
2018	101,583	(101,583)	-	1,466,517	6.93%
2017	112,990	(112,990)	-	1,586,936	7.12%
2016	120,092	(115,615)	4,477	1,658,769	6.97%
2015	104,165	(97,227)	6,938	1,371,360	7.09%

*Complete data for these schedules is not available prior to 2015.

See Notes to Required Supplementary Information

NORTH DAKOTA STATE ELECTRICAL BOARD
SCHEDULES 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
2021	\$ 20,723	\$ (20,723)	\$ -	\$ 1,856,940	1.12%
2020	21,164	(21,164)	-	1,856,476	1.14%
2019	18,960	(18,960)	-	1,663,120	1.14%
2018	17,984	(17,984)	-	1,577,524	1.14%

*Complete data for this schedule is not available prior to 2018.

See Notes to Required Supplementary Information

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The Board adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund.

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2021 expenditures exceeded appropriations in the general fund by \$262,725.

NOTE 3 CHANGES OF BENEFIT TERMS

NDPERS Retirement System Pension.

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (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, 2019.

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 Retirement System OPEB.

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, 2019.

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.

NORTH DAKOTA STATE ELECTRICAL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2021 AND 2020

NOTE 4 CHANGES OF ASSUMPTIONS

NDPERS Retirement System 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.

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.

NDPERS Retirement System 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 7.25% to 6.50%

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

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.

NORTH DAKOTA STATE ELECTRICAL BOARD
DETAILED STATEMENTS OF REVENUES AND EXPENDITURES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
REVENUES:		
Inspection fees	\$ 3,297,517	\$ 4,252,348
Master examinations	8,850	7,650
Master license	33,963	63,200
Journeyman examinations	9,525	10,300
Journeyman license	34,913	64,613
Class B examination	-	80
Class B license	213	533
Apprentice registrations	14,120	18,978
Reinstatements	22,115	20,490
Administration and late fees	27,937	26,477
Continuing education and seminars	32,111	23,255
Interest income	37,340	67,187
Miscellaneous	10,427	1,451
Total revenues	<u>3,529,031</u>	<u>4,556,562</u>
EXPENDITURES:		
Salaries - inspectors	1,221,733	1,213,214
Salaries - office	665,812	654,915
Inspection fees to cities	746,812	661,126
Travel - fleet vehicles	171,087	157,982
Travel - employees	33,389	51,232
Travel - board members	9,386	8,386
Travel - PLT Committee	-	861
Per diem	20,400	18,900
Payroll taxes	140,061	142,928
Group insurance	305,468	295,763
Pension expense	227,661	227,604
Pension buyout	69,917	55,920
Office remodel	27,214	-
Office rent	45,113	45,007
Apartment/house rent	10,109	14,770
Postage	24,221	19,759
Printing	19,402	8,591
Telephone	15,285	24,187
Professional fees	84,354	93,188
Supplies	6,193	15,653
Insurance	12,524	9,641
Small equipment	6,940	21,952
Maintenance agreements and repairs	4,736	1,628
Code books and publications	1,205	12,256
Continuing education	1,400	16,449
Education seminars	31,793	26,769
Advertising	-	1,766
Administrative fees	3,170	3,249
Scholarships	241,000	-
Dues & subscriptions	5,968	8,017
Miscellaneous	35,872	18,206
Total expenditures	<u>4,188,225</u>	<u>3,829,919</u>
Revenues over expenditures	<u>\$ (659,194)</u>	<u>\$ 726,643</u>

**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
The North Dakota State Electrical Board
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 major fund of the North Dakota State Electrical Board, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise North Dakota State Electrical Board's basic financial statements and have issued our report thereon dated January 6, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Dakota State Electrical Board's internal control over financial reporting (internal control) as a basis for determining 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 Electrical Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Dakota State Electrical Board'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 a significant deficiency.

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 2021-001 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 deficiency described in the accompany schedule of findings and responses as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

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

North Dakota State Electrical Board's Responses to Findings

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Board'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 & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 6, 2022

NORTH DAKOTA STATE ELECTRICAL BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2021-001 Material Weakness: Journal Entries

Criteria

The entity 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 entity'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 State Electrical Board that it is in the best interest of Board, the North Dakota State Electrical Board 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.

NORTH DAKOTA STATE ELECTRICAL BOARD
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2021-002 Significant Deficiency: Preparation of Financial Statements

Criteria

An appropriate system of internal control requires the Board to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The Board's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the Board currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The Board has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The Board elected to not allocate resources for the preparation of the basic financial statements.

Effect

There is an increased risk of material misstatement to the Board's financial statements.

Recommendation

We recommend the Board consider the additional risk of having the auditors assist in the preparation of the basic financial statements and note disclosures and to consider preparing them in the future. As a compensating control, the Board should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

Due to the financial, efficiency and time constraints, it has been determined by North Dakota State Electrical Board's management that it is in the best interest of North Dakota State Electrical Board and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.