NORTH DAKOTA STATE PLUMBING BOARD
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the North Dakota State Plumbing 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 Plumbing 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the North Dakota State Plumbing Board as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof 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 schedule of employer’s share of net pension liability, schedule of employer’s contributions – pension, schedule of employer’s share of net OPEB liability and schedule of employer’s contributions – OPEB, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2022 on our consideration of North Dakota State Plumbing 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 Plumbing 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 Plumbing Board's internal control over financial reporting and compliance.

Brady Martz

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

January 24, 2022

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

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 317,609	$ 234,872
Investments - certificates of deposit	305,870	301,159
Accounts receivable	330	1,612
Accrued Interest	-	6,191
Grant receivable	3,468	4,391
Inventory	7,078	22,417
Total current assets	634,355	570,642
Capital assets:		
Intangible asset - software	89,845	89,845
Automobiles	83,522	88,802
Furniture and equipment	30,620	30,443
Less accumulated depreciation	(152,429)	(152,086)
Total capital assets	51,558	57,004
Other assets:		
Security deposit - rent	770	770
Total assets	686,683	628,416
DEFERRED OUTFLOW OF RESOURCES		
Cost sharing defined benefit plan - pension	688,625	209,834
Cost sharing defined benefit plan - OPEB	10,330	8,633
Total deferred outflow of resources	698,955	218,467
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	18,476	8,356
Accrued compensated absences	27,807	25,161
Unearned revenue	417,495	370,768
Total current liabilities	463,778	404,285
Non-current liabilities:		
Accrued compensated absences	1,828	3,742
Net pension liability	1,143,862	438,519
Net other post retirement benefit liability	29,597	28,012
Total non-current liabilities	1,175,287	470,273
Total liabilities	1,639,065	874,558
DEFERRED INFLOW OF RESOURCES		
Cost sharing defined benefit plan - pension	171,199	222,685
Cost sharing defined benefit plan - OPEB	1,087	1,334
Total deferred inflow of resources	172,286	224,019
NET POSITION		
Net investment in capital assets	51,558	57,004
Unrestricted	(477,271)	(308,698)
Total net position	$ (425,713)	$ (251,694)

See Notes to the Financial Statements

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

	2021	2020
OPERATING REVENUES		
Licenses		
Master - new & renewal	$ 101,348	$ 102,345
Journeyman - new & renewal	58,425	59,275
Apprentice - new & renewal	27,700	27,393
Water conditioner contractor/installer	710	700
Water & sewer contractor/installer/apprentice	42,625	44,250
Plumbing certificates	405,937	381,752
Plumbing code books and study guides	63,780	40,195
North Dakota Department of Health - grant	19,083	20,917
Continuing education	8,615	27,175
Miscellaneous	9,603	7,308
Total operating revenues	737,826	711,310
OPERATING EXPENSES		
Salaries	417,080	408,550
Payroll taxes	30,907	30,138
Employee benefits	328,946	206,879
Rent	10,459	10,395
Telephone	3,758	3,782
IT support	5,701	8,503
Office supplies, printing, and postage	9,341	7,614
Code books and study guides	37,259	30,979
Insurance	1,576	1,214
Auto, travel, and board expenses	34,759	25,084
Equipment	-	879
Contract labor	9,353	6,150
Continuing education	1,229	3,193
Legal and audit	569	11,693
Miscellaneous	1,037	1,170
Depreciation expense	26,692	38,756
Total operating expenses	918,666	794,979
Operating income	(180,840)	(83,669)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,421	10,568
Gain on trade of automobile	4,400	2,344
Total non-operating revenues	6,821	12,912
Change in net position	(174,019)	(70,757)
Net position - beginning of year	(251,694)	(180,937)
Net position - end of year	$ (425,713)	$ (251,694)

See Notes to the Financial Statements

NORTH DAKOTA STATE PLUMBING BOARD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Cash received from licenses and certificates	$ 684,754	$ 606,964
Cash received from grants	20,006	21,025
Cash received from other operating activities	81,998	74,678
Cash payments to suppliers for goods and services	(120,490)	(167,055)
Cash payments to employees for services	(570,587)	(559,070)
Net cash provided (used) by operating activities	95,681	(23,458)
Cash flows from capital and related financing activities:		
Purchase of automobile	(14,820)	(16,987)
Purchase of furniture and equipment	(2,025)	(9,106)
Net cash provided (used) by capital and related financing activities	(16,845)	(26,093)
Cash flows from investing activities:		
Purchase of investments	(4,711)	(1,159)
Interest collected	8,612	4,377
Net cash provided (used) by investing activities	3,901	3,218
Net change in cash and cash equivalents	82,737	(46,333)
Cash and cash equivalents - beginning of year	234,872	281,205
Cash and cash equivalents - end of year	$ 317,609	$ 234,872
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	$ (180,840)	$ (83,669)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	26,692	38,757
Effects on cash flows due to changes in:		
Accounts receivable	1,282	(1,202)
Grants receivable	923	108
Inventory	15,339	(20,422)
Accounts payable and accrued expenses	10,119	(5,840)
Accrued compensated absences	732	2,436
Unearned revenue	46,727	(7,549)
Net pension liability	705,343	(194,453)
Net OPEB liability	1,585	279
Deferred inflow / outflow - pension & OPEB	(532,221)	248,097
Net cash provided (used) by operating activities	$ 95,681	$ (23,458)
Supplemental non-cash disclosure:		
Equipment acquired through trade	$ 4,400	$ 2,344

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principle Activity

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

The North Dakota State Plumbing Board was created by North Dakota Statute (NDCC 43-18). The main duties are to provide for the licensing and regulation of persons engaged in the practice of plumbing, water conditioning, and sewer and water construction in the State of North Dakota and to inspect the plumbing, drainage, sewerage, and plumbing ventilation in all public buildings and newly constructed dwelling units within North Dakota. Its major sources of revenue are annual licensing and certificate fees.

The financial statements of the North Dakota State Plumbing Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. These financial statements represent the financial position, results of operations and cash flows for the Board for the fiscal years ended June 30, 2021 and 2020. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Reporting Entity

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

Basis for Accounting

Since the Board is engaged only in a single business-type activity, it presents only the financial statements required for enterprise funds.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been satisfied.

The Board reports the following major proprietary fund:

Operating Fund

This fund is the major proprietary fund used by the Board and is used to account for all general operations of the Board.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board's enterprise fund are licenses, permits and grants. Operating expenses include salaries, fringe benefits and travel for administrative expenses.

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

Budget

The North Dakota State Plumbing Board is not required to adopt a legal budget. The Board does adopt a non-appropriated budget.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in demand deposits and short-term certificates of deposit with an original maturity date of three months or less.

Investments

Investments consist of certificates of deposit with an original maturity date of more than three months.

Accounts Receivables

Accounts receivable consist of license fees to be collected as of year-end. No allowance for doubtful accounts is recorded for the years ended June 30, 2021 and 2020.

Inventory

Inventory consists of uniform plumbing code books, sewer and water code books, study guides, and Laws Rules and Plumbing Installation Standards of North Dakota books. Inventories are stated at the lower of cost (first-in, first out), or market.

Capital Assets

Capital assets are defined by the Board as assets with an initial, individual cost of $500 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed using the straight-line method in amounts sufficient to amortize the costs of depreciable assets over their estimated useful lives. The estimated useful lives used as the basis for the application of that method are as follows:

Description	Estimated Useful Life
Intangible asset – software	5 years
Automobiles	5 years
Furniture and equipment	3-7 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and 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 6 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 three 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 NDPERS OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See note 6 and note 7 for further details.

Unearned Revenue

Unearned revenue represents unearned inspection revenue and unearned license revenue. The unearned inspection revenues are the result of deposits from plumbers held by the Board for future issuance of 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.

Accrued Compensated Absences

The Board follows the state policy, which permits employees to accumulate a limited amount of earned, but unused annual and sick leave benefits which will be paid to employees upon separation of employment from the Board or state. 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.

Net Position

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. The Board has no restrictions.

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.

Pensions

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

Other Post-Employment Benefits (OPEB)

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

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 CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2021 and 2020, the Board's cash, cash equivalents, and investments consisted of the following:

	2021	2020
Cash and cash equivalents:		
Checking accounts	$ 46,775	$ 8,000
Savings accounts	270,834	226,872
Investments:		
Certificates of deposit	305,870	301,159
Totals	$ 623,479	$ 536,031

At June 30, 2021 and 2020, the interest rates earned on those monies ranged between 2.05% to 2.50%.

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 Plumbing Board maintains interest bearing cash on deposit at various financial institutions. The amounts on deposit were insured by the National Credit Union Administration (NCUA) or FDIC up to $250,000 per financial institution. The Board had $99,818 and $16,101 of deposits in excess of NCUA/FDIC coverage at June 30, 2021 and 2020, respectively, which were covered by letters of credit.

State statute requires the market value of collateral pledged must equal 110% of the deposits not covered by insurance or pledged securities. During the years ended June 30, 2021 and 2020, the Board had collateral pledged in excess of the 110% of the deposits not covered by insurance as required by state statute.

NOTE 3 CAPITAL ASSETS

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

	7/1/20	Additions	Deletions	6/30/21
Capital assets being depreciated:				
Intangible asset - software	$ 89,845	$ -	$ -	$ 89,845
Furniture and equipment	30,443	2,025	(1,848)	30,620
Automobiles	88,802	19,220	(24,500)	83,522
	209,090	21,245	(26,348)	203,987
Less accumulated depreciation for:				
Intangible asset - software	(82,253)	(7,159)	-	(89,412)
Furniture and equipment	(20,952)	(2,828)	1,848	(21,932)
Automobiles	(48,881)	(16,704)	24,500	(41,085)
	(152,086)	(26,691)	26,348	(152,429)
Net investment in capital assets	$ 57,004	$ (5,447)	$ -	$ 51,558

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

	7/1/19	Additions	Deletions	6/30/20
Capital assets being depreciated:				
Intangible asset - software	$ 89,845	$ -	$ -	$ 89,845
Furniture and equipment	29,326	9,106	(7,989)	30,443
Automobiles	87,686	20,987	(19,871)	88,802
	206,857	30,093	(27,860)	209,090
Less accumulated depreciation for:				
Intangible asset - software	(64,665)	(17,588)	-	(82,253)
Furniture and equipment	(25,864)	(3,077)	7,989	(20,952)
Automobiles	(49,004)	(18,092)	18,214	(48,881)
	(139,533)	(38,757)	26,203	(152,086)
Net investment in capital assets	$ 67,324	$ (8,664)	$ (1,657)	$ 57,004

NOTE 4 ACCRUED COMPENSATED ABSENCES

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

	Balance 7/1/20	Additions	Reductions	Balance 6/30/21	Due Within One Year
Compensated absences	$ 28,903	$ 25,893	$ (25,161)	$ 29,635	$ 27,807

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

	Balance 7/1/19	Additions	Reductions	Balance 6/30/20	Due Within One Year
Compensated absences	$ 26,467	$ 24,629	$ (22,193)	$ 28,903	$ 25,161

NOTE 5 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:

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 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 6 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 provision 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 equals or exceeds 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2021 and 2020, the Employer reported a liability of $1,143,862 and $438,519 for its proportionate share of the net pension liability. 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 determined by an actuarial valuation as of that dated. The Employer's proportion of 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, 2020, the Employer's proportion was 0.036359 percent, which was a decrease of 0.001055 from its proportion measured at June 30, 2019. At June 30, 2019, the Employer's proportion was 0.037414 percent, which was a decrease of 0.000093 from its proportion measured at June 30, 2018.

For the year ended June 30, 2021, the Employer recognized pension expense of $204,337. At June 30, 2021, 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	$ 4,451	$ (57,961)
Changes of assumptions	613,182	(101,374)
Net difference between projected and actual earnings on pension plan investments	36,918	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,802	(11,864)
Employer contributions subsequent to the measurement date	29,271	-
Total	$ 688,625	$ (171,199)

$29,271 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year ended June 30:	
2022	$ 148,589
2023	124,921
2024	100,529
2025	114,116

For the year ended June 30, 2020, the Employer recognized pension expense of $83,333. 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	$ 260	$ (79,583)
Changes of assumptions	163,863	(140,691)
Net difference between projected and actual earnings on pension plan investments	7,640	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,514	(2,412)
Employer contributions subsequent to the measurement date	28,557	-
Total	$ 209,834	$ (222,685)

$28,557 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Year ended June 30:	
2021	$ 18,091
2022	8,908
2023	(15,342)
2024	(40,426)
2025	(12,639)

Actuarial Assumptions

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

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

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

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

Inflation	2.50%		
Salary increases	Service at Beginning of Year	State Employee	Non-State Employee
	0	15.00%	15.00%
	1	10.00%	10.00%
	2	8.00%	8.00%
	Age		
	Under 30	10.00%	10.00%
	30-39	7.50%	7.50%
	40-49	6.75%	6.75%
	50-59	6.50%	6.50%
	60+	5.25%	5.25%
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:

	7/1/2020 Valuation		7/1/2019 Valuation	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%	30%	6.30%
International Equity	21%	6.85%	21%	6.93%
Private Equity	7%	9.75%	7%	10.15%
Domestic Fixed Income	23%	1.25%	23%	2.11%
Global Real Assets	19%	5.01%	19%	5.41%

Discount Rate

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

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

For the purpose of 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:

	1% Decrease 3.64%	Current Discount Rate 4.64%	1% Increase 5.64%
Employer's proportionate share of the net pension liability	$ 1,484,075	$ 1,143,862	$ 865,485

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:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	$ 628,742	$ 438,519	$ 278,699

Pension Plan Fiduciary Net Position

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

NOTE 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, vison and long-term care plan and any other health insurance plan. Effective August 1,2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision or long-term care plan premium expense The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to $5.00 for each of the 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 a liability of $29,597 and $28,012 respectively, for its proportionate share of the net OPEB liability. 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 0.035184%, which was an increase of .000308% from its proportion measured as of June 30, 2020. At June 30, 2020, the Employer’s proportion was 0.034876%, which was a decrease of .000338% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Employer recognized OPEB expense of $4,262. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 657	$ (710)
Changes of assumptions	3,968	-
Net difference between projected and actual earnings on OPEB plan investments	1,018	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(377)
Employer contributions subsequent to the measurement date	4,687	-
Total	$ 10,330	$ (1,087)

$4,687 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

Year ended June 30:		
2022	$	955
2023		1,218
2024		1,170
2025		884
2026		329

For the year ended June 30, 2020, the Employer recognized OPEB expense of $3,721. At June 30, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	692	$	(875)
Changes of assumptions		3,339		-
Net difference between projected and actual earnings on OPEB plan investments		31		-
Changes in proportion and differences between employer contributions and proportionate share of contributions		-		(459)
Employer contributions subsequent to the measurement date		4,572		-
Total	$	8,633	$	(1,334)

$4,572 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

Year ended June 30:		
2021	$	426
2022		426
2023		687
2024		639
2025		355
Thereafter		194

Actuarial Assumptions

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

Inflation	2.50%
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%.

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:

	7/1/2020 Valuation		7/1/2019 Valuation	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%	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.

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

The following presents 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	$ 38,817	$ 29,597	$ 21,800

The following presents 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:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's proportionate share of the net OPEB liability	$ 35,754	$ 28,012	$ 21,385

OPEB Plan Fiduciary Net Position

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

NOTE 8 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.

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

NOTE 9 SUBSEQUENT EVENTS

No significant events occurred subsequent to Board's year end. Subsequent events have been evaluated through January 24, 2022, which is the date these financial statements were available to be issued.

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.03636%	$ 1,143,862	$ 401,085	285.19%	48.91%
2020	0.03741%	438,519	389,163	112.68%	71.66%
2019	0.03751%	632,972	385,320	164.27%	62.80%
2018	0.03737%	600,659	381,492	157.45%	61.98%
2017	0.03665%	356,761	368,907	96.71%	70.46%
2016	0.03737%	228,807	299,776	76.33%	77.15%
2015	0.03430%	217,728	288,967	75.35%	77.70%

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

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

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll
2021	$ 29,271	$ (29,271)	$ -	$ 411,113	7.12%
2020	28,557	(28,557)	-	401,085	7.12%
2019	27,708	(27,708)	-	389,163	7.12%
2018	27,841	(27,841)	-	391,021	7.12%
2017	27,162	(27,162)	-	381,495	7.12%
2016	26,708	(26,265)	443	368,907	7.12%
2015	22,770	(21,344)	1,426	299,775	7.12%

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

NORTH DAKOTA STATE PLUMBING BOARD
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.035184%	$ 29,597	$ 389,172	7.61%	63.38%
2020	0.034876%	28,012	389,163	7.20%	63.13%
2019	0.035214%	27,733	385,320	7.20%	61.89%
2018	0.035263%	27,893	381,492	7.31%	59.78%

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

NORTH DAKOTA STATE PLUMBING BOARD
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll
2021	$ 4,687	$ (4,687)	$ -	$ 401,085	1.17%
2020	4,572	(4,572)	-	389,172	1.17%
2019	4,437	(4,437)	-	389,163	1.14%
2018	4,457	(4,457)	-	391,021	1.14%

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

NOTE 1 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.

NOTE 2 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 OPEB

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.

BradyMartz

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

To the Board of Directors
North Dakota State Plumbing 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 North Dakota State Plumbing 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 Plumbing Board's basic financial statements and have issued our report thereon dated January 24, 2022.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered North Dakota State Plumbing Board's internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Dakota State Plumbing Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Dakota State Plumbing 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as #3 in the accompanying schedule of findings and responses as item 2021-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Dakota State Plumbing 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 Plumbing 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

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

January 24, 2022

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

2021-001 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 current 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 Plumbing Board's management that it is in the best interest of North Dakota State Plumbing Board and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.

2021-002 Significant Deficiency: Segregation of Duties

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

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

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

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

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

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

2021-003 Material Weakness: Journal Entries

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions
Due to the financial, efficiency and time constraints, it has been determined by the Board and the management of the North Dakota State Plumbing Board that it is in the best interest of Board, the North Dakota State Plumbing 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.