

***NORTH DAKOTA STATE BOARD OF REGISTRATION
FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS***

AUDIT REPORT

JUNE 30, 2023

NORTH DAKOTA STATE BOARD OF REGISTRATION FOR
PROFESSIONAL ENGINEERS AND LAND SURVEYORS
June 30, 2023

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North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
June 30, 2023

BOARD OF DIRECTORS

Nicholas Gludt, PE	Chairperson
Matthew Weeks, PLS	Vice Chairperson
Kevin Nelson, PE, PLS	Secretary
Emmy Vareberg, PE	Board Member
Ezra Ballinger, PE	Board Member
Darcie Handt	Executive Director

INDEPENDENT AUDITOR'S REPORT

Governing Board
North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Bismarck, North Dakota

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors, Bismarck, North Dakota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota State Board of Registration for Professional Engineers and Land Surveyor's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 North Dakota State Board of Registration for Professional Engineers and Land Surveyors' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 20, and the notes to the required supplementary information on page 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis 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 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 February 9, 2024, on our consideration of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' 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 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 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 Board of Registration for Professional Engineers and Land Surveyors' internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd
Mandan, North Dakota
February 9, 2024

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Statement of Net Position
June 30, 2023

	Governmental Activities
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,127,412
Investments	1,761,273
Interest Receivable	1,393
Prepaid Expenditures	3,694
Capital Assets:	
Office Furniture and Equipment	293,570
Less: Accumulated Depreciation	<u>(206,029)</u>
Net Capital Assets	<u>87,541</u>
TOTAL ASSETS	4,981,313
LIABILITIES	
Current Liabilities:	
Accounts Payable	3,488
Payroll Taxes Payable	<u>3,367</u>
Total Current Liabilities	6,855
Long-Term Liabilities:	
Due Beyond One Year:	
Compensated Absences	<u>7,334</u>
Total Liabilities	14,189
DEFERRED INFLOWS OF RESOURCES	
Unearned Dues Revenue	761,900
NET POSITION	
Net Investment in Capital Assets	87,541
Restricted for:	
Legal Service	1,000,000
Other Purposes	3,694
Unrestricted	<u>3,113,989</u>
Total Net Position	<u><u>\$ 4,205,224</u></u>

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Statement of Activities
For the year ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Position
					Primary Government
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
<u>Governmental Activities</u>					
Licensing and Regulation	\$ 610,027	\$ 660,391	\$ -	\$ -	\$ 50,364
Interest on Long-Term Debt	92	-	-	-	(92)
Total Governmental Activities	<u>\$ 610,119</u>	<u>\$ 660,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>50,272</u>
General Revenues:					
Interest and Miscellaneous Income					54,434
Gain (Loss) on Investments					<u>10,703</u>
Total General Revenues					<u>65,137</u>
Change in Net Position					115,409
Net Position - Beginning of Year					4,093,415
Prior Period Adjustment (See Note 10)					<u>(3,600)</u>
Net Position - Beginning of Year Restated					<u>4,089,815</u>
Net Position - End of Year					<u>\$ 4,205,224</u>

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Balance Sheet - Governmental Fund
June 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 3,127,412
Investments	1,761,273
Interest Receivable	1,393
Prepaid Expenditures	<u>3,694</u>
TOTAL ASSETS	<u><u>\$ 4,893,772</u></u>
LIABILITIES	
Accounts Payable	\$ 3,488
Payroll Taxes Payable	<u>3,367</u>
Total Liabilities	6,855
DEFERRED INFLOWS OF RESOURCES	
Deferred Dues Revenue	<u>761,900</u>
Total Liabilities and Deferred Inflows of Resources	<u>768,755</u>
FUND BALANCES	
Nonspendable:	
Prepaid Expenditures	3,694
Committed for:	
Legal Service	1,000,000
Unassigned	<u>3,121,323</u>
Total Fund Balances	<u>4,125,017</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 4,893,772</u></u>
Total fund balances - governmental funds	\$ 4,125,017
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$293,570, and the accumulated depreciation is \$206,029.	
	87,541
Some liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated Absences Payable	<u>(7,334)</u>
Net position of governmental activities	<u><u>\$ 4,205,224</u></u>

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the year ended June 30, 2023

	<u>General Fund</u>
REVENUES	
Personal Renewal Fees	\$ 451,838
Commercial Renewal Fees	125,843
Retired Renewal Fees	1,980
Personal Endorsement Fees	72,031
Commercial Endorsement Fees	8,699
Interest and Miscellaneous Income	<u>54,434</u>
TOTAL REVENUES	714,825
EXPENDITURES	
Current:	
Salaries and Wages	234,534
Employee Benefits	56,751
Telephone	3,847
Travel and Meetings	19,809
Office Expense	75,326
Insurance and Bonds	2,458
Printing	464
NCEES and CLEAR Dues	6,500
Legal and Investigations	27,483
Legislative	7,418
Hearings	8,692
Rulemaking	1,280
Accounting and Audit Fees	26,338
Special Projects Expense	38,294
Capital Outlay	3,533
Education Programs	1,539
Online Renewal Fees	33,613
Website Development	860
Debt Service:	
Principal	58,642
Interest	<u>92</u>
TOTAL EXPENDITURES	<u>607,473</u>
EXCESS OF REVENUES OVER EXPENDITURES	107,352
OTHER FINANCING SOURCES (USES)	
Gain (Loss) on Investments	<u>10,703</u>
NET CHANGE IN FUND BALANCES	118,055
Fund Balances - July 1, 2022	4,010,562
Prior Period Adjustment (See Note 10)	<u>(3,600)</u>
Fund Balances - July 1, 2022 Restated	<u>4,006,962</u>
FUND BALANCES - JUNE 30, 2023	<u><u>\$ 4,125,017</u></u>

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the year ended June 30, 2023

Net change in fund balances - total governmental funds	\$	118,055
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which depreciation and amortization exceeded purchases.

Capital assets purchased in the current period	\$ 41,640	
Depreciation expense of capital assets reported	(42,259)	
Gain/(Loss) on Disposition of Assets	<u>(1,365)</u>	(1,984)
Amortization expense for right-to-use assets	<u>(58,588)</u>	(58,588)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payments on long-term debt	<u>58,642</u>	58,642
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Some expenses reported in the statement of activities do not require use of current financial resources and are not reported as expenditures in governmental funds.

Net change in compensated absences		<u>(716)</u>
Change in net position of governmental activities	\$	<u><u>115,409</u></u>

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to the Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The North Dakota State Board of Registration for Professional Engineers and Land Surveyors is charged with the responsibility of examining, registering, policing, and enforcing the code of ethics as it applies to those practicing the professions within North Dakota. The Board is composed of five members, four of whom are Professional Engineers, and one member is a Professional Land Surveyor. Board members are nominated by the North Dakota Society of Professional Engineers for the engineering positions and the surveyor position is nominated by the North Dakota Society of Professional Land Surveyors. The Governor selects one of the nominees for appointment to the Board. Board members serve for a term of five years with the term expirations being staggered so only one position on the Board is up for reappointment in any given year.

Reporting Entity

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the North Dakota State Board of Registration for Professional Engineers and Land Surveyors as a reporting entity.

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government (the Board). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. The Board has only one governmental fund:

General Fund - The general fund is the principal operating fund of the Board. It is used to account for all financial resources of the Board.

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to the Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; generally, when they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The revenues that are determined to be susceptible to accrual are fees, fines, and interest. Deferred revenues arise when resources are received by the government before it has legal claim to them. In subsequent periods, when the government has a legal claim to the resources, the deferred revenue is reclassified to the appropriate revenue accounts.

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

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit and money market accounts, and highly liquid investments with original maturities of three months or less.

State statutes authorize the Board to invest in (a) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress; (b) securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above; (c) certificates of deposit fully insured by the Federal Deposit Insurance Corporation or the state; or (d) obligations of the Board.

Capital Assets and Depreciation

Capital assets are reported at cost less accumulated depreciation. Capital assets are defined by the Board as assets with an initial, individual cost of \$1,000 or more and over one year of useful life are capitalized and reported in the government-wide financial statements. Depreciation is computed on a straight-line basis over the estimated useful life of the assets, generally five years for equipment and ten years for furniture.

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to the Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Board has control of the right-of-use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial term of more than 12 months, or that contain an option to purchase that the Board is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the Board uses its incremental borrowing rate based on the information available at the lease commencement date. The Board has made an accounting policy election to use a risk free rate based on the US Treasury T-Bill rate as of the lease commencement. The Board accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The Board continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Board is reasonably certain to exercise.

The amortizable life of assets and the leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The Board's lease agreements do not include any material residual value guarantees or restrictive covenants.

Right-of-Use Assets

The Board records right-of-use lease assets as a result of implementing GASB Statement No. 87. Right-of-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use lease assets are amortized on a straight-line basis over the life of the related lease.

Compensated Absences

Annual and sick leave are part of permanent employees' compensation. In general, accrued annual leave cannot exceed 240 hours at year-end while sick leave is not limited. Employees earn annual leave at a variable rate based on years of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement. Employees earn sick leave at a rate of one working day per month. Employees with at least 10 years of service, upon termination, will be entitled to a one-time lump sum buyout equal to 10% of the employees' unused accrued sick leave.

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to the Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Revenue Recognition

Revenue is recorded for licenses, permits, and miscellaneous fees. Licenses and permits are issued to registrants every two years. Deferred revenue represents revenue collected in advance for the licenses and permits. Revenue is recognized when it is earned, on a monthly basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by Board legislation or external restrictions by creditors, grantors, or laws or regulations of other governments. When the Board incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first.

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.

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to the Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Assigned – This classification reflects the amounts constrained by the Board’s “intent” to be used for special purposes but are neither restricted nor committed. The Board members have the authority to assign amounts to be used for specific purposes.

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

The non-spendable fund balance is comprised of \$3,694 of prepaid expenditures. The Board committed \$1,000,000 through Board approval to be used for legal services.

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.

NOTE 2 – DEPOSITS – CASH AND INVESTMENTS

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

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

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

As of June 30, 2023, the Board’s carrying balance was \$3,127,412. The bank balance of these deposits at June 30, 2023 was \$3,398,183. As of June 30, 2023, the bank balance included demand deposits, along with an investment in a certificate of deposit of \$250,000. Of the bank balances, \$3,371,185 was covered by Federal Depository Insurance. Uninsured and uncollateralized deposits were \$26,998. The Board monitors the balances to ensure deposits are sufficiently covered by FDIC. There was no formal review by the Board during the year. The Board has not adopted a deposit policy limiting the Board’s deposits with any one depositor.

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to the Financial Statements
June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Custodial risk for deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2023, the Board had the following investments and maturities:

Type of Investment	Fair Value	Investment Maturities			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Over 10 Years
US Treasury Bills - Mutual Funds	\$ 1,511,273	\$ 1,511,273	\$ -	\$ -	\$ -
Certificate of Deposit	250,000	250,000	-	-	-
Total	<u>\$ 1,761,273</u>	<u>\$ 1,761,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets, deferred outflow of resources, and deferred inflow of resources measured at fair value on a recurring basis at June 30, 2023.

Assets	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
US Treasury Bills - Mutual Funds	<u>\$ 1,511,273</u>	<u>\$ 1,511,273</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 1,511,273</u>	<u>\$ 1,511,273</u>	<u>\$ -</u>	<u>\$ -</u>

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to the Financial Statements
June 30, 2023

NOTE 4 – CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2023:

	<u>Office Furniture and Equipment</u>
Balance, July 1, 2022	\$ 300,428
Purchases	41,640
Dispositions	<u>(48,498)</u>
Balance, June 30, 2023	<u>293,570</u>
Accumulated Depreciation, July 1, 2022	210,903
Additions	42,259
Dispositions	<u>(47,133)</u>
Accumulated Depreciation, June 30, 2023	<u>206,029</u>
Net Book Value, June 30, 2023	<u><u>\$ 87,541</u></u>

Depreciation expense for the year ended June 30, 2023 was \$42,259.

NOTE 5 – LONG-TERM LIABILITIES

Intangible Asset

The Board records right-of-use lease assets. The asset is office space leased from BTSOS, dba Riverside Office Building, at 723 Memorial Highway, Bismarck, ND. The related lease is discussed in the Lease Payable section of this note. The right-of-use lease asset is amortized on a straight-line basis over the terms of the related leases. The rights-of-use lease asset was fully amortized as of June 30, 2023. Right-of-use lease asset activity for the primary government for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Right-of-Use Lease Assets:				
Leased Office Space	\$ 117,175	\$ -	\$ 117,175	\$ -
Total Right-of-Use Lease Assets	<u>117,175</u>	<u>-</u>	<u>117,175</u>	<u>-</u>
Less Accumulated Amortization for:				
Leased Office Space	<u>58,588</u>	<u>58,587</u>	<u>117,175</u>	<u>-</u>
Total Accumulated Amortization	<u>58,588</u>	<u>58,587</u>	<u>117,175</u>	<u>-</u>
Right-of-Use Lease Assets, Net	<u><u>\$ 58,587</u></u>	<u><u>\$ (58,587)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to the Financial Statements
June 30, 2023

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Lease Payable

The Board has entered into agreements to lease an office space. The lease agreements expired on June 30, 2023 qualified as an other than short-term leases under GASB Statement No. 87 and, therefore, was recorded at the present value of the future minimum lease payments as of the date of its inception.

The first agreement commenced on December 1, 2019 to lease the southeast office space and requires 43 monthly payments of \$4,017. The second agreement commenced on August 1, 2020 to lease the northeast office space and requires 35 monthly payments of \$878. The terms for both lease agreements expired on June 30, 2023. There were no variable payment components of the lease agreements. The lease liability is measured at a risk-free discount rate of 0.25%, as no discount rate was specified in the lease. There was no long-term lease liability remaining as of June 30, 2023. The associated right-of-use asset is discussed in more detail in the intangible asset section of this note.

Long-Term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Balance			Balance	Current
	July 1, 2022	Increases	Decreases	June 30, 2023	Portion of Balance
Compensated Absences *	\$ 6,617	\$ 717	\$ -	\$ 7,334	\$ -
Lease Payable	<u>58,642</u>	<u>-</u>	<u>58,642</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$ 65,259</u>	<u>\$ 717</u>	<u>\$ 58,642</u>	<u>\$ 7,334</u>	<u>\$ -</u>

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

NOTE 6 – LEASE

During the year ended June 30, 2023, the Board executed a 12-month lease agreement for office space with BTSOS, dba Riverside Office Building, at 723 Memorial Highway, Bismarck, ND. The agreement commenced on July 1, 2023 and expires on June 30, 2024. This new agreement qualifies as a short term lease. As of June 30, 2023, the agreement requires 12 monthly lease payments. Future payments required under the agreement are \$51,140 for the year ended June 30, 2024.

NOTE 7 – EMPLOYEE BENEFITS

Beginning in 2000, the Board approved contributions to the employees' personal Roth-IRA. Under this plan, the employees receive the Roth-IRA contribution as a gross wage, with the net pay then being deposited into a Roth-IRA account in the employee's name. The net amount of the quarterly contribution to the employee's Roth-IRA plan shall be equal to six percent of the employee's annualized salary on a quarterly basis. For purposes of this section, "net" shall mean the gross amount less the employee and employer share of Social Security and Medicare taxes. The amount of the Roth-IRA contributions for the years ended June 30, 2023, 2022, and 2021, were \$11,922, \$14,260, and \$11,759, respectively.

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to the Financial Statements
June 30, 2023

NOTE 8 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Board is covered by the Risk Management Fund of North Dakota. The Risk Management Fund will pay money damages for 1) an injury caused by the negligence or wrongful act or omission of a State employee acting within the employee's scope of employment which the employee would be personally liable to pay a claimant under state law and 2) an injury caused from some condition or use of tangible property under circumstances in which the State, if it were a private person, would be liable to the claimant. Coverage includes claims for damages resulting from an occurrence, accident, wrongful act, error or omission or claim made because of bodily injury, personal injury, property damage, professional liability, or public officials' professional liability or any combination thereof. The Board makes an annual payment for this insurance coverage. The coverage the Risk Management Fund may pay is limited to a total of \$375,000 per person and \$1,000,000 per occurrence. The Risk Management Fund will not be held liable or indemnify a State employee held liable for punitive or exemplary damages.

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

The Board participates in the North Dakota State Bonding Fund for employee dishonesty coverage in the amount of \$1,368,657.

The Board paid an annual premium to a third-party insurance carrier for employee dishonesty coverage in the amount of \$250,000.

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

NOTE 9 – LEGAL ACTIONS

The North Dakota State Board of Registration for Professional Engineers and Land Surveyors had no legal actions during the year ended June 30, 2023.

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to the Financial Statements
June 30, 2023

NOTE 10 – PRIOR PERIOD ADJUSTMENT - CORRECTION OF AN ERROR

The beginning net position and fund balance at July 1, 2022 have been restated to correct a \$3,600 overstatement in prepaid expenditures. The effect on the beginning net position and fund balance are as follows:

Total Net Position - Beginning of Year, as previously reported	\$ 4,093,415
Correction of Prepaid Expenditures	<u>(3,600)</u>
Total Net Position - Beginning of Year, as restated	<u><u>\$ 4,089,815</u></u>
Fund Balance, General Fund - Beginning of Year, as previously reported	\$ 4,010,562
Correction of Prepaid Expenditures	<u>(3,600)</u>
Fund Balance, General Fund - Beginning of Year, as restated	<u><u>\$ 4,006,962</u></u>

***REQUIRED
SUPPLEMENTARY INFORMATION***

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2023

	Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES			
Personal Renewal Fees	\$ 413,697	\$ 451,838	\$ 38,141
Commercial Renewal Fees	122,646	125,843	3,197
Retired Renewal Fees	-	1,980	1,980
Personal Endorsement Fees	35,582	72,031	36,449
Commercial Endorsement Fees	7,341	8,699	1,358
Interest and Miscellaneous Income	<u>11,700</u>	<u>54,434</u>	<u>42,734</u>
TOTAL REVENUES	590,966	714,825	123,859
EXPENDITURES			
Current:			
Salaries and Wages	285,115	234,534	(50,581)
Employee Benefits	75,055	56,751	(18,304)
Telephone	7,200	3,847	(3,353)
Travel and Meetings	79,473	19,809	(59,664)
Office Expense	108,235	75,326	(32,909)
Insurance and Bonds	10,900	2,458	(8,442)
Printing	6,000	464	(5,536)
NCEES and CLEAR Dues	7,000	6,500	(500)
Legal and Investigations	44,920	27,483	(17,437)
Legislative	31,000	7,418	(23,582)
Hearings	-	8,692	8,692
Rulemaking	6,000	1,280	(4,720)
Accounting Fees	24,700	26,338	1,638
Special Projects Expense	100,000	38,294	(61,706)
Capital Outlay	5,000	3,533	(1,467)
Online Renewal Fees	18,537	33,613	15,076
Education Programs	18,000	1,539	(16,461)
Website Development	900	860	(40)
Debt Service:			
Principal	58,642	58,642	-
Interest	<u>92</u>	<u>92</u>	<u>-</u>
TOTAL EXPENDITURES	<u>886,769</u>	<u>607,473</u>	<u>(279,296)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(295,803)</u>	<u>107,352</u>	<u>403,155</u>
OTHER FINANCING SOURCES (USES)			
Gain (Loss) on Investments	<u>-</u>	<u>10,703</u>	<u>10,703</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>10,703</u>	<u>10,703</u>
NET CHANGE IN FUND BALANCES	(295,803)	118,055	413,858
Fund Balances - July 1, 2022	4,010,562	4,010,562	-
Prior Period Adjustment (See Note 10)	<u>(3,600)</u>	<u>(3,600)</u>	<u>-</u>
Fund Balances - July 1, 2022 Restated	4,006,962	4,006,962	-
FUND BALANCES - JUNE 30, 2023	<u>\$ 3,711,159</u>	<u>\$ 4,125,017</u>	<u>\$ 413,858</u>

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Notes to Required Supplementary Information
June 30, 2023

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Board adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the Executive Director at the revenue and expenditure function/object level.
- The current budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

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*

Governing Board
North Dakota State Board of Registration
for Professional Engineers and Land Surveyors
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 the major fund of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors, Bismarck, North Dakota as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated February 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' 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 material weaknesses 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 2023-001 described in the accompanying schedule of findings 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 2023-002 described in the accompanying schedule of findings to be a significant deficiency.

Report on Compliance and Other Matters

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

North Dakota State Board of Registration for Professional Engineers and Land Surveyors' Responses to Findings

North Dakota State Board of Registration for Professional Engineers and Land Surveyors' responses to the findings identified in our audit are described in the accompanying schedule of findings. The North Dakota State Board of Registration for Professional Engineers and Land Surveyors' 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.

Haga Kommer, Ltd.

Haga Kommer, Ltd
Mandan, North Dakota
February 9, 2024

North Dakota State Board of Registration for
Professional Engineers and Land Surveyors
Schedule of Findings
For the Year Ended June 30, 2023

2023-001 Segregation of Duties

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has control of a transaction from inception to completion.

Condition – The Board has a lack of segregation of duties in certain areas due to a limited staff.

Cause – There are limited individuals to perform tasks due to the small size of the entity.

Effect – Inadequate segregation of duties could adversely affect the Board's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely matter by employees in the normal course of performing their assigned functions.

Recommendation – Authorization, custody, recordkeeping, and reconciliation responsibilities should be segregated. Board members may be able to assist by providing oversight and approval of a staff member involved in more than one of the responsibilities.

Management's Response – The Board will continue to monitor the situation. The Executive Director (ED) has dispersed portions of financial controls to various staff members, which includes the processing of routine invoices from vendors, credit card statement and receipt review, check signing, bank statement reconciliations, and review of deposits.

2023-002 Preparation of Financial Statements

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Condition – The financial statements and related notes are prepared by the Board's auditors.

Cause – Limited time and resources of the Board to prepare the financial statements in the format required by generally accepted accounting principles.

Effect – An increased risk of material misstatement in the Board's financial statements.

Recommendation – The Board should review the financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Management's Response – The Board is involved in reviewing financial documents and will continue to be involved.

North Dakota State Board of Registration for Professional Engineers and Land Surveyors
Auditor's Summary Requested by the
North Dakota Legislative Audit and Fiscal Review Committee
June 30, 2023

The Legislative Audit and Fiscal Review Committee requires that a summary of certain items be completed by independent certified public accountants performing audits of state agencies. The items and our responses are as follows:

Purpose of the audit – To determine that the financial statements are free from material misstatement

Type of opinion – Unmodified

Summary of findings/ recommendations:

1. 2023-001 – Material weakness – Segregation of duties – See page 22 of the audit report
2. 2023-002 – Significant deficiency – Preparation of the financial statements – See page 22 of the audit report

Status of prior audit recommendations:

1. 2022-001 – Material weakness – Segregation of duties – Repeated as finding 2023-001
2. 2022-002 – Significant deficiency – Preparation of the financial statements – Repeated as finding 2023-002

Explanation of significant audit adjustments and corrected or uncorrected misstatements:

- Nothing significant to report

Disagreements with management or difficulties encountered in performing the audit:

- None

Other items to highlight in the report:

- None

Cost of the audit:

1. Current audit – \$10,900
2. Prior audit – \$9,600