



Financial Statements  
June 30, 2023

# North Dakota Board of Nursing

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## Independent Auditor's Report

The Board of Directors  
North Dakota Board of Nursing  
Bismarck, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the business-type activities and each major fund of the North Dakota Board of Nursing as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the North Dakota Board of Nursing's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the North Dakota Board of Nursing, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Board of Nursing 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 the 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 Board of Nursing'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 Responsibility 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 GAAS 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 GAAS 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 North Dakota Board of Nursing's 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 North Dakota Board of Nursing's 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of employer pension liability and contributions, and schedules of the employer OPEB liability and contributions as listed in the table of contents 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 GAAS, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Board of Nursing's basic financial statements. The Schedule of Revenues and expenses – General Fund – Budget to Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Revenues and expenses – General Fund – Budget to Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the listing of Board Members and Staff but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 17, 2024 on our consideration of the North Dakota Board of Nursing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota Board of Nursing'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 Board of Nursing's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Erik Sallie LLP".

Bismarck, North Dakota  
January 17, 2024

As management of the North Dakota Board of Nursing (Board), we offer readers of the Board's financial statement this narrative and analysis of the financial activities of the Board for the fiscal year ending June 30, 2023. The analysis focuses on significant financial position, budget changes and variances from budget, and specific issues related to funds and the economic factors affecting the Board.

The first Nurse Practices Act was passed by the North Dakota Legislature in 1915. At that time, the Board was founded and is charged with regulating the practice of nursing. The Board consists of nine appointed members. The records indicate the Board has employed an Executive Director since 1939. The Board employs eleven staff, including the Executive Director, who are responsible for conducting daily operations of the Board.

The Board reported the following number of licenses in the FY2023 Annual Report: 18,719 Registered Nurse; 3,499 Licensed Practice Nurse; and 2,727 Advanced Practice Registered Nurse including 2,248 Prescriptive Authority.

The Board acts in a responsible manner to meet the needs of its customers, licensees, and the public in general. The Board is the guardian of the public's interests and carries out this responsibility by using a common-sense approach to governance, by adhering to legal and ethical standards, and considers costs both human and financial in its decision-making processes. The Board regularly assesses its regulatory function, modifies or streamlines its regulations, and maintains the concept of providing the best overall benefit with the least amount of intrusiveness.

The Board functions using a Policy Governance Model. The model is based on the four philosophical concepts of accountability, servant-leader, clarity of group values, and empowerment.

Some characteristics of this model include:

- Use of a strategic plan,
- Have a regular retreat,
- Give accurate and clear information to Board members about roles and responsibilities,
- Focus on outcomes,
- Have regular communication with Executive Director, and
- Have a high degree of trust among Board members and Executive Director.

Major activities of the Board include:

- Licensure and regulation of the practice of nearly 23,000 nurses and 1,300 Unlicensed Assistive Persons.
- Monitor nursing education programs for compliance with the law and rules.
- Collaboration and consultation with appropriate nursing and health care organizations and other affected parties in the establishment of standards for nursing practice.
- Collection and analysis of data regarding nursing education, nursing practice, and nursing resources.

### **Financial Highlights**

- The liabilities and deferred inflows of resources of the Board exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$307,467.
- The Board's total net deficit decreased by \$115,418.
- As of the close of the current fiscal year, the Board's net deficit balance for the general fund was (\$564,012).

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Board. The basic financial statements of the Board are comprised of two components: 1) financial statements and 2) notes to the financial statements.

Financial statements - The financial statements are designed to provide readers with a broad overview of the Board's financial activity and status, in a manner similar to private-sector business.

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

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

The financial statements can be found on pages 13-17 of this report.

### **Enterprise Funds**

The Board maintains two individual enterprise funds: 1) general operating fund and 2) nursing education loan (NEL) fund. The general fund is maintained through licensure/registration fees. Ten dollars of each licensure renewal fee is allocated to the NEL fund.

The Board is funded through the fees collected in accordance with NDCC 54-44-12 - Deposit and disbursement of funds of occupational and professional boards - Appropriation.

Notes to the Financial Statements - The notes provide additional information that is essential to full understanding of the data provided in the financial statements. They are an integral part of the financial statement presentation.

The notes to the financial statements can be found on pages 18-36 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which can be found on pages 37-40.

Supplementary and Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and other information, which can be found on pages 41-44.

Government-wide Financial Analysis - As noted previously, net position may serve over time as a useful indicator of a government's financial position. For the Board, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$307,467) at the close of the most recent fiscal year.

**Condensed Balance Sheet  
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u> (Memorandum only)
Assets		
Current Assets	\$ 2,518,832	\$ 2,169,648
Noncurrent Assets	<u>217,714</u>	<u>273,694</u>
Total Assets	2,736,546	2,443,342
Deferred Outflows of Resources	<u>1,357,393</u>	<u>1,009,043</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 4,093,939</u></u>	<u><u>\$ 3,452,385</u></u>
Liabilities		
Current Liabilities	\$ 1,290,780	\$ 1,283,970
Noncurrent Liabilities	<u>2,326,301</u>	<u>1,208,542</u>
Total Liabilities	3,617,081	2,492,512
Deferred Inflows of Resources	<u>784,325</u>	<u>1,382,758</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>4,401,406</u></u>	<u><u>3,875,270</u></u>
Fund Net Position		
Net Investment in Capital Assets	38,641	90,861
Unrestricted	<u>(346,108)</u>	<u>(513,746)</u>
Total Net Deficit	<u><u>(307,467)</u></u>	<u><u>(422,885)</u></u>
Total Liabilities, Deferred Inflows of Resources, and Net Deficit	<u><u>\$ 4,093,939</u></u>	<u><u>\$ 3,452,385</u></u>

The largest portion of the Board's net deficit reflects the business-type activity of the collection of biennial renewal fees. The Board collects licensure renewal fees from approximately half of the estimated 23,000 licensees from October 1<sup>st</sup> through December 31<sup>st</sup> of each year. The licenses issued are valid for the following two calendar years.

Revenue is recognized when earned. Unearned revenue represents 25% of revenue collected during the calendar year preceding the report date and 75% of revenue collected during the current calendar year. This calculation approximates generally accepted accounting principles.

**Statement of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u> (Memorandum only)
Operating Revenues		
Professional fees	\$ 1,958,743	\$ 1,809,153
NEL income	85,950	89,100
Total operating revenues	<u>2,044,693</u>	<u>1,898,253</u>
Operating Expenses		
Employee compensation and benefits	1,395,758	1,284,383
Board expenses	27,033	12,909
Rent expense	42,744	43,139
Professional fees	146,250	125,110
Printing and postage expense	2,261	2,351
Office expenses	29,863	23,014
Repairs and maintenance	22,729	21,805
Miscellaneous expenses	49,481	40,254
Depreciation expense	16,875	13,943
Employment credit expense	110,433	45,217
NEL transfer	85,950	89,100
Total operating expenses	<u>1,929,377</u>	<u>1,701,225</u>
Operating Income (Loss)	<u>115,316</u>	<u>197,028</u>
Nonoperating Revenue		
Interest income	2,027	2,534
Loss on sale of fixed asset	<u>(1,925)</u>	<u>(846)</u>
Total nonoperating revenue	<u>102</u>	<u>1,688</u>
Change in Net Deficit	115,418	198,716
Net Deficit, Beginning of Year	<u>(422,885)</u>	<u>(621,601)</u>
Net Deficit, End of Year	<u>\$ (307,467)</u>	<u>\$ (422,885)</u>

Business-type Activity - Business-type activities decreased the Board's net deficit by \$115,418.

The major fund of the Board is the general operating fund, which is funded through licensure and registration fees. At the end of the current fiscal year, the net deficit balance of the general fund was (\$564,012).

The Board's share of Net Pension Liability decreased from 0.067159% for year-end 2022 to 0.062234% for year-end 2023. This decrease is due to a reduction in the Board's total amount of covered payroll for the year. The Board's share of the Net OPEB liability was based on employer's share of covered payroll in the OPEB plan to the covered payroll of all participating OPEB employers; at June 30, 2023, the Board's proportion was 0.059835%.

Throughout the calendar year 2022, Board staff conducted reviews of the current database capabilities, stability, and security hosted by Albertson, Inc. At the October 2022 Quarterly Meeting, the Board members directed staff to explore the feasibility, develop a timeline, and initiate a checklist required to move the licensing database from Albertson, Inc. to the NCSBN Optimal Regulatory Board System (also known as ORBS). The result of that work was presented to the Board members at the January 2023 Quarterly Meeting, with key points including ORBS carrying no annual or monthly fees, and long-awaited paper applications for APRN, Prescriptive Authority, UAPs, and MAIIs being paperless and online. At that meeting, the Board moved to enter into an agreement with NCSBN to implement ORBS, coordinate data migration, develop timelines, and continue to initiate checklists required to move to ORBS. At the April 2023 Quarterly Meeting, the Board approved the FY2024 budget which included costs associated with data migration from Albertson, Inc. to ORBS. As of FY2024, this lengthy and complex implementation is still underway with a target go-live date before the close of FY2024.

The Board continued to monitor increases in workload related to operations within the licensure, compliance, and education divisions. The following include notable workload considerations:

- **Licensure:** The Board continued to see increases in licensure numbers as evidenced by the five-year statistics which indicate an increase from 20,987 to 22,997. This is a total increase of 9.58%. At the start of FY2023, on July 1, 2022, an additional licensing specialist joined the Board staff to address several increases in workload, including increase in endorsement applications of both US educated and more complex Internationally Educated Nurses (IEN), vacation and sick coverage, and general office duties and licensing inquiries. This brought the total number of Board staff up to 11. It is notable to report that ND facilities increased efforts to recruit IEN which substantially increased workload in licensing due to the high volume and complexity of the applications which includes review of credentials evaluations.
- **Compliance:** The Board noted increases in the numbers of potential violation reports and positive compliance-related responses on applications. In addition, contested cases and case complexity continued to increase, requiring additional staff and legal resources for investigations and dispositions. The education division noted an increase in distance education monitoring.

- **Education:** On January 25, 2023, the Federal Bureau of Investigations ("FBI") publicly announced its enforcement actions against a large-scale fraudulent nursing diploma scheme operated by Florida-based nursing education programs which lead to a multi-state investigation titled "Operation Nightingale." The investigation focused on the alleged selling of fraudulent documents, transcripts, and nursing degrees. These documents permitted individuals to apply to take the NCLEX and, if they successfully passed, permitted these individuals to obtain a license to practice nursing as a licensed practical nurse (LPN) or registered nurse (RN). It was reported that over 7,600 fraudulent nursing diplomas were issued by these Florida-based programs to individuals across the United States. The education division spearheaded the Board's "Operation Nightingale" investigations which required numerous meetings with the National Council of State Board of Nursing, the assigned FBI agents, the Board's Compliance Advisory Council, and the applicants/licensees of concern. All the divisions of the Board participate in the workload related to "Operation Nightingale".

The NEL Program is funded with a portion of the licensure renewal fees. For over 30 years, the NEL Program has been a viable resource for potential nursing students and nurses wishing to further their education. The loan disbursement for the past five years totals over \$417,038. The NEL is primarily repaid by nursing employment in North Dakota. The repayment rate is one dollar per hour of employment. The Board requires verification of actual hours worked for employment credit from the employer. When employment credit is not the manner in which the NEL is repaid, then monetary repayment is required.

### **Capital Asset and Long-Term Liabilities**

**Capital Assets** - The Board's investment in capital assets for its business type activities as June 30, 2023 amounts to \$38,641 (net of accumulated depreciation and amortization). This investment in capital assets includes office equipment and technology required to maintain the functions of the Board as well as right-to-use leased assets. Additional information on the Board's capital assets can be found in Note 5 Capital Assets on page 25 of this report.

**Long-Term Liabilities** - At the end of the current fiscal year, the Board had total long-term liabilities excluding unearned revenue of \$1,882,999 and lease liabilities. Of this amount, \$18,797 is comprised of compensated absences. The remaining amounts of \$1,792,381 is from the net pension liability and \$71,821 is from the net other post-employment benefit (OPEB) liability. The net pension and OPEB liability are resulted from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; which requires governmental agencies to report their proportionate share of pension expense and liabilities. Additional information on the Board's long-term liabilities can be found in Notes 8 and 9 on pages 26-35 of this report.

### Factors Affecting Future Needs

Current and future needs impacting the Board financially include the following:

- Continued monitoring of the impact of the Covid-19 pandemic and the critical nursing shortage on licensure and registration and nursing regulatory needs.
- Continued collaborations with the FBI "Operation Nightingale" investigations, which increases division workload.
- Continued increases in workload in licensing division related to the recruitment of IEN by ND facilities.
- Collaboration with Albertson, Inc. and NCSBN for migration to, and implementation of, NCSBN's Optimal Regulatory Board System (ORBS), along with overhaul of application processes with ORBS team to streamline and increase user (nurse) experience and increase Board staff efficiency.
- Collaboration with CE Broker and ORBS to provide efficiency to the renewal process for both the nurses and Board staff.
- Monitor for Minnesota enactment of NLC due to the impact on income related to licensure.
- Monitor for future implementation of the APRN Licensure Compact enacted in ND, UT, and DE, which requires 7 states total to join. Will require FTE and workload for technology and licensure changes for implementation of the compact.
- Monitor ongoing technology needs for Board operations to maintain security and functionality of office (hardware, software, etc.).
- Monitor the need for additional FTE's and/or consultants to address licensure, compliance, education, and core operations workload.
- Implementation of the Alternative to Discipline program for ND nurses once approved by the ND Administrative Rules Committee.

The Board adjusted select licensure and registration fees through rule promulgation effective July 1, 2020, to sustain financial stability and address the increases in workload, staffing needs, and technology needs. The Board continues to strive for a financial balance to 1) maintain core operations to ensure secure online technology, high level customer service, and efficient processes; 2) maintain necessary reserve fund; and 3) carry out all duties of the Board as mandated in the N.D.C.C. 43-12-08. The 2020 fee increase served to facilitate all three of those goals, with an increase in staff, replenishing of the reserve funds, and funding improvements for higher customer service.

In FY2021, the Board motioned to replenish the reserve fund that was depleted over the prior years, to reach a goal of \$275,000 over the upcoming three fiscal years. The rationale for replenishing the reserve fund with the implemented fee increases included: 1) current uncertainties centered around the Covid-19 pandemic; 2) Minnesota and other states with legislation pending to enter the NLC in the next 1-2 years which would further reduce renewal and endorsement income; 3) possibility of upcoming legislation providing for an Alternative to Discipline Program which would require use of licensure fees; and 4) need for available funds in the case of discipline hearings or litigation. At the FY2023 Finance Committee Meeting, the Board Finance Committee approved charges as follows: 1) propose annual budget and monitor compliance at each board meeting; 2) financial analysis in identifying the funding of board operations, staffing, and projects; 3) continue to ensure sufficient reserve fund to support current and future operations.

A request for information - This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report should be addressed to the Executive Director, ND Board of Nursing, 919 S 7th Street, Suite 504, Bismarck, ND 58504.

North Dakota Board of Nursing  
Statement of Net Position  
June 30, 2023

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2023 Total</u>	<u>2022 Total</u> (Memorandum only)
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,633,839	\$ 145,918	\$ 1,779,757	\$ 1,427,976
Certificates of deposit	640,663	-	640,663	639,470
Notes receivable - current portion	-	98,262	98,262	102,022
Accounts receivable	-	150	150	180
Total current assets	<u>2,274,502</u>	<u>244,330</u>	<u>2,518,832</u>	<u>2,169,648</u>
Noncurrent Assets				
Furniture and equipment, net of accumulated depreciation	37,850	-	37,850	51,829
Right-to-Use Lease Asset, net of accumulated amortization	81,602	-	81,602	119,843
Notes receivable, net	-	98,262	98,262	102,022
Total noncurrent assets	<u>119,452</u>	<u>98,262</u>	<u>217,714</u>	<u>273,694</u>
Deferred Outflows of Resources				
Other post-employment benefits	41,446	-	41,446	20,992
Pension plans	1,315,947	-	1,315,947	988,051
Total deferred outflows of resources	<u>1,357,393</u>	<u>-</u>	<u>1,357,393</u>	<u>1,009,043</u>
Total assets and deferred outflows of resources	<u>\$ 3,751,347</u>	<u>\$ 342,592</u>	<u>\$ 4,093,939</u>	<u>\$ 3,452,385</u>

North Dakota Board of Nursing  
Statement of Net Position  
June 30, 2023

	General	Nursing Education Loan Fund	2023 Total	2022 Total (Memorandum only)
<b>Liabilities and Net Position</b>				
Current Liabilities				
Accounts payable	\$ 9,823	\$ -	\$ 9,823	\$ 15,862
Accrued liabilities	19,063	-	19,063	18,038
Lease Liability	39,785	-	39,785	-
Current portion of compensated absences payable	34,000	-	34,000	34,000
Unearned revenue	1,123,339	64,770	1,188,109	1,216,070
Total current liabilities	<u>1,226,010</u>	<u>64,770</u>	<u>1,290,780</u>	<u>1,283,970</u>
Noncurrent Liabilities				
Unearned revenue	380,999	21,277	402,276	345,382
Other post-employment benefits liability	71,821	-	71,821	36,260
Net pension liability	1,792,381	-	1,792,381	700,539
Lease liability	41,026	-	41,026	118,660
Compensated absences payable	18,797	-	18,797	7,701
Total noncurrent liabilities	<u>2,305,024</u>	<u>21,277</u>	<u>2,326,301</u>	<u>1,208,542</u>
Total liabilities	<u>3,531,034</u>	<u>86,047</u>	<u>3,617,081</u>	<u>2,492,512</u>
Deferred Inflows of Resources				
Other post-employment benefits	4,436	-	4,436	15,675
Pension plans	779,889	-	779,889	1,367,083
Total deferred inflows of resources	<u>784,325</u>	<u>-</u>	<u>784,325</u>	<u>1,382,758</u>
Total liabilities and deferred inflows of resources	<u>4,315,359</u>	<u>86,047</u>	<u>4,401,406</u>	<u>3,875,270</u>
<b>Net Position (Deficit)</b>				
Investment in capital assets	38,641	-	38,641	90,861
Unrestricted	(602,653)	256,545	(346,108)	(513,746)
Total net position (deficit)	<u>(564,012)</u>	<u>256,545</u>	<u>(307,467)</u>	<u>(422,885)</u>
Total liabilities, deferred inflows of resources, and net deficit	<u>\$ 3,751,347</u>	<u>\$ 342,592</u>	<u>\$ 4,093,939</u>	<u>\$ 3,452,385</u>

North Dakota Board of Nursing  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2023

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2023 Total</u>	<u>2022 Total</u> (Memorandum only)
Operating Revenues				
Professional fees	\$ 1,872,178	\$ 86,565	\$ 1,958,743	\$ 1,809,153
NEL income	85,950	-	85,950	89,100
Total operating revenues	<u>1,958,128</u>	<u>86,565</u>	<u>2,044,693</u>	<u>1,898,253</u>
Operating Expenses				
Employee compensation and benefits	1,395,758	-	1,395,758	1,284,383
Board expenses	27,033	-	27,033	12,909
Rent expense	42,744	-	42,744	43,139
Professional fees	146,250	-	146,250	125,110
Printing and postage expense	2,261	-	2,261	2,351
Office expenses	29,863	-	29,863	23,014
Repairs and maintenance	22,729	-	22,729	21,805
Miscellaneous expense	47,549	1,932	49,481	40,254
Depreciation expense	16,875	-	16,875	13,943
NEL transfer	85,950	-	85,950	89,100
Employment credit expense	-	110,433	110,433	45,217
Total operating expenses	<u>1,817,012</u>	<u>112,365</u>	<u>1,929,377</u>	<u>1,701,225</u>
Operating Income/(Loss)	<u>141,116</u>	<u>(25,800)</u>	<u>115,316</u>	<u>197,028</u>
Nonoperating Revenue (Expense)				
Interest income	1,509	518	2,027	2,534
Loss on sale of fixed asset	(1,925)	-	(1,925)	(846)
Total nonoperating revenue (expense)	<u>(416)</u>	<u>518</u>	<u>102</u>	<u>1,688</u>
Change in Net Position	140,700	(25,282)	115,418	198,716
Net Position (Deficit), Beginning of Year	<u>(704,712)</u>	<u>281,827</u>	<u>(422,885)</u>	<u>(621,601)</u>
Net Position (Deficit), End of Year	<u>\$ (564,012)</u>	<u>\$ 256,545</u>	<u>\$ (307,467)</u>	<u>\$ (422,885)</u>

North Dakota Board of Nursing  
Statement of Cash Flows  
Year Ended June 30, 2023

	General	Nursing Education Loan Fund	2023 Total	2022 Total (Memorandum only)
Cash Flows from Operating Activities				
Receipts of professional fees	\$ 1,987,676	\$ 85,980	\$ 2,073,656	\$ 2,058,903
Payments to suppliers	(326,472)	-	(326,472)	(310,600)
Payments to employees	(1,204,042)	-	(1,204,042)	(1,196,038)
Net Cash Provided by Operating Activities	457,162	85,980	543,142	552,265
Cash Flows from Capital and Related Financing Activities				
Cash paid for lease liabilities- principal portion	(77,634)	-	(77,634)	(37,568)
Cash paid for lease liabilities- interest portion	(4,895)	-	(4,895)	(6,754)
Purchase of furniture and equipment	(4,821)	-	(4,821)	(29,704)
Net Cash Used for Capital and Related Financing Activities	(87,350)	-	(87,350)	(74,026)
Cash Flows from Investing Activities				
Issuance of notes receivable	-	(106,008)	(106,008)	(102,670)
Payment received on note receivable	-	1,163	1,163	370
Interest received	1,509	518	2,027	2,534
Purchase of certificates of deposit	(1,193)	-	(1,193)	(1,972)
Net Cash Provided by (used for) Investing Activities	316	(104,327)	(104,011)	(101,738)
Net Change in Cash and Cash Equivalents	370,128	(18,347)	351,781	376,501
Cash and Cash Equivalents, Beginning of Year	\$1,263,711	\$164,265	1,427,976	1,051,475
Cash and Cash Equivalents, End of Year	<u>\$ 1,633,839</u>	<u>\$ 145,918</u>	<u>\$ 1,779,757</u>	<u>\$ 1,427,976</u>
Schedule of Noncash Investing and Financing Activities				
Forgiveness of debt in exchange for hours worked	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,217</u>
Lease Liability for the recognition of a right to use leased asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,228</u>

North Dakota Board of Nursing  
Statement of Cash Flows  
Year Ended June 30, 2023

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2023 Total</u>	<u>2022 Total</u> (Memorandum only)
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities				
Operating Income/(Loss)	\$ 141,116	\$ (25,800)	\$ 115,316	\$ 197,028
Adjustments to reconcile operating income/(loss)				
Depreciation	16,875	-	16,875	13,943
Write off of bad debt	-	1,932	1,932	-
Adjustment to pension expense	176,750	-	176,750	104,787
Adjustment for OPEB expense	3,868		3,868	(2,932)
Employment credit expense	-	110,433	110,433	45,217
Adjustment for Lease expense	82,923		82,923	43,139
Changes in assets and liabilities				
Accounts receivable	-	30	30	(50)
Accounts payable	(6,039)	-	(6,039)	3,625
Compensated absences payable	11,096	-	11,096	(13,510)
Accrued liabilities	1,025	-	1,025	318
Unearned revenue	29,548	(615)	28,933	160,700
Net Cash Provided by Operating Activities	<u>\$ 457,162</u>	<u>\$ 85,980</u>	<u>\$ 543,142</u>	<u>\$ 552,265</u>

**Note 1 - Organization and Nature of Operations**

According to the North Dakota Century Code, Section 43-12.1-08, the North Dakota Board of Nursing (the Board) shall regulate the practice of nursing to assure that qualified competent practitioners and high-quality standards are available. Regulation of the profession of nursing must ensure that no person may practice or offer to practice nursing or use titles of advanced practice registered nurse, specialty practice registered nurse, registered nurse, licensed practical nurse, or unlicensed assistant person, or titles of a similar nature which denote the practice of nursing to the general public unless licensed or registered.

The NEL loans are granted to applicants who are accepted and enrolled in a nursing program as outlined in NDAC 54-04.1-02-01. To the extent funds are available, education loans are made in amounts detailed in NDAC 54-03.1-03.1 per academic degree. The loan may be repaid by nursing employment as a licensed nurse in ND after graduation at the rate of one dollar per hour of employment. Monetary payment with interest is required of applicants who withdraw from the nursing program or are not employed in the state of ND after program completion.

**Note 2 - Summary of Significant Accounting Policies**

**Reporting Entity**

In accordance with Government Accounting Standards Board (GASB) the Board should include all component units over which the Board exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on the organization, or (3) the potential for the organization to provide specific benefits to or impose specific burdens on the Board.

Based upon criteria set forth no organizations were determined to be part of the reporting entity.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The North Dakota Board of Nursing is presented in the accompanying financial statements as a proprietary fund type – an enterprise fund.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public or other funds on a continuing basis be financed or recovered primarily through user charges. The Board recovers its costs through license fees to APRNs, RNs, and LPNs; registration fees for Unlicensed Assistive Persons, Technicians, and Medication Assistant IIs; and earnings on funds.

As a proprietary fund type, the Board accounts for its transactions using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The accompanying financial statements of the North Dakota Board of Nursing follow the pronouncements of the GASB, which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For certain loan and investment programs, revenue that would normally be classified as non-operating should be classified as operating. Examples of this would include interest and investment income.

All other revenues that do not meet the above criteria should be classified as non-operating.

The Board reports the following major proprietary funds:

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

**Nursing Education Loan Fund** – The NEL fund is used to account for the revenues and expenses related to providing nursing students with loans to further their college education in the nursing field.

### **Budget**

Each year the Board of Directors estimates and itemizes all administrative expenses and obligations of the Board, including expenses of directors, management fees, legal and other related expense. Revenues expected to be generated from the renewal of licenses, registration and certification of new licenses, and other related revenues are estimated.

The general fund had expenses exceeding appropriations of \$159,832 for the year ended June 30, 2023. These over expenses further impacted the net deficit.

### **Cash and Cash Equivalents**

The Board considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.

### **Certificates of Deposit**

The Board's certificates of deposits are reported at amortized cost.

### **Capital Assets and Depreciation**

Capital assets are defined by the North Dakota Board of Nursing as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed except for right-to-use leased assets, the measurement of which is discussed in Note 5. Donated capital assets are recorded at estimated fair market value at the date of donation.

Right to use leased assets are recognized at the lease commencement date and represent the North Dakota Board of Nursing's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Equipment is depreciated using the straight-line method over the estimated useful lives as established by the North Dakota Office of Management and Budget. The major capital asset categories and useful lives are as follows:

Furniture and Equipment

3-7 years

### **Notes Receivable**

The Board's notes receivable is reported net of an allowance for doubtful notes. Management's estimate of the allowance for doubtful notes is based on historical loss levels and an analysis of the collectability of individual notes.

### **Compensated Absences**

Employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 30 days at each year-end, as set by the Board. The amount of annual leave earned ranges between 1 and 2 days per month and is fixed by the employing unit per section 54-06-14 of the NDCC.

Annual leave liability incurred is reported in the financial statements. These unpaid amounts will be paid from expendable resources provided for in the budget of future years.

The North Dakota Century Code, section 54-06-14, states employees accrue sick leave at the rate of one to a maximum of one and one-half working days per month of employment without limitation on the amount that can be accumulated. Employees vest at 10 years of creditable service at which time the Board is liable for 10 percent of the employee's accumulated unused sick leave. A liability for those employees that qualify under the above stated guidelines has been accounted for in the financial statements. These unpaid amounts will be paid from expendable resources provided for in the budget of future years.

**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 Postemployment Benefits (OPEB)**

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

**Deferred Outflows and 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 resources (expense/expenditure) until then. The North Dakota Board of Nursing has two items that qualify for reporting in this category. They are the contributions made to pension plans and the other Postemployment benefit plan after the measurement date and prior to the fiscal year-end, changes in the net pension liability not included in pension expense reported in the balance sheet, and changes in the net OPEB liability not included in the OPEB expense reported in the balance sheet.

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 North Dakota Board of Nursing has two items that qualify for reporting in this category and which are changes in the net pension liability not included in pension expense reported in the balance sheet, changes in the net OPEB liability not included in the OPEB expense reported in the Statement of Net Position.

**Net Position**

Net position represents the difference between assets, deferred outflows or resources, liabilities, and deferred inflows of resources on the financial statements. Net position is comprised of three components: investment in capital assets, restricted, and unrestricted.

Investment in capital assets consists of capital assets, net of accumulated depreciation/amortization. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories.

**Lease Liability**

Lease Liabilities represent the North Dakota Board of Nursing's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the North Dakota Board of Nursing.

**Revenue Recognition and Unearned Revenue**

Revenue is recorded for licenses, exams and other miscellaneous fees. Most licenses are issued for two-year periods based on calendar years. Revenue is recognized when earned. Unearned revenue represents 25% of revenue collected during the calendar year preceding the report date and 75% of revenue collected during the current calendar year. This calculation approximates generally accepted accounting principles.

**Estimates**

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

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on the change in net position or net position.

### Note 3 - Deposits and Investments

#### Deposits

According to North Dakota Century Code 54-06-08.1, the Board may bank at the state-owned and operated Bank of North Dakota, without having collateral to secure the deposits. According to North Dakotas Century Code 54-44-12, the Board may also deposit moneys in any depository selected by the Board of Directors, however, these funds must be collateralized. The Board receives interest for funds on deposit in all accounts, except for its checking accounts. As of June 30, 2023, the Board has bank deposits with a carrying amount of \$1,779,757.

Cash deposits at the Bank of North Dakota recorded as cash and cash equivalents	\$ 1,634,596
Cash deposits at Kirkwood Bank and Trust recorded as cash and cash equivalents	<u>145,161</u>
	<u><u>\$ 1,779,757</u></u>

#### Custodial and Concentration of Credit Risk

For deposits and investments, there is the risk that, in the event of the failure of a depository financial institution or party to the investment transaction, the Board will not be able to recover the deposits or investments that are in the possession of an outside party. Deposits and Certificates of deposits at the Bank of North Dakota are uncollateralized but are guaranteed by the State of North Dakota (NDCC Section 6-09-10). All deposits and investments at Kirkwood Bank and Trust, Dakota Community Bank and BNC National Bank that exceed the FDIC limit of \$250,000 are secured with collateral by the bank.

North Dakota Board of Nursing maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023, the North Dakota Board of Nursing had approximately \$53,183, in excess of FDIC-insured limits.

### Certificates of Deposit

As of June 30, 2023, the Board had certificates of deposit with a cost of \$640,663. These investments are held at the Bank of North Dakota, Kirkwood Bank and Trust, Dakota Community Bank, and BNC National Bank and consist of certificates of deposit with a maturity date of one year or less.

Certificates of Deposit at the Bank of North Dakota	\$ 101,420
Certificates of Deposit at Kirkwood Bank and Trust	277,982
Certificates of Deposit at Dakota Community Bank	183,945
Certificates of Deposit at BNC National Bank	77,316
	<u>640,663</u>
	<u>\$ 640,663</u>

Interest Rate Risk – The Board does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All certificates of deposit mature within 1 year.

### Note 4 - Notes Receivable

The North Dakota Board of Nursing operates the NEL Program. The program is funded by ten dollars of each registered nurse and licensed practical nurse biennial renewal fee. To qualify for a NEL, the student must be enrolled in a board-approved nursing education program or have a current North Dakota license.

Program guidelines indicate the amount of educational loans that may be made to individual students. The loan may be repaid by nursing employment in North Dakota after graduation. The repayment rate is one dollar per hour of employment. If employment in North Dakota is terminated before the loan is fully canceled, interest designated on the signed note will begin to accrue on the unpaid balance. Repayment of the loan begins 60 days after graduation or termination of nursing employment in North Dakota. Payments are at least \$50 per month. The allowance represents the loans estimated to be uncollectible.

Notes receivable as of June 30, 2023 totaled the following:

Notes receivable	\$ 200,016
Allowance for doubtful notes	(3,492)
	<u>196,524</u>
Less current portion	98,262
	<u>\$ 98,262</u>

## Note 5 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

	Balance 06/30/22	Additions	Deletions	Balance 06/30/23
Capital assets being depreciated/amortized				
Furniture and equipment	\$ 211,722	\$ 4,821	\$ (21,749)	\$ 194,794
Right-to-Use leased asset	156,228	-	-	156,228
Total Capital Assets	<u>367,950</u>	<u>4,821</u>	<u>(21,749)</u>	<u>351,022</u>
Less accumulated depreciation/amortization for				
Furniture and equipment	(159,893)	(16,875)	19,824	(156,944)
Right-to-Use leased asset	(36,385)	(38,241)	-	(74,626)
Total accumulated depreciation/amortization	<u>(196,278)</u>	<u>(55,116)</u>	<u>19,824</u>	<u>(231,570)</u>
	<u>\$ 171,672</u>	<u>\$ (50,295)</u>	<u>\$ (1,925)</u>	<u>\$ 119,452</u>

## Note 6 - Leases

North Dakota Board of Nursing entered into a two-year lease agreement as lessee for the use of office space. North Dakota Board of Nursing is required to make monthly principal and interest payments of \$3,562. The lease calculation includes a discount rate of 5.00% which is the North Dakota Board of Nursing's incremental borrowing rate.

Changes in the lease liability during the year ended June 30, 2023, are as follows:

Balance - July 1	\$ 118,660
Deletions	<u>(37,849)</u>
Ending balance	<u>\$ 80,811</u>

The future principal and interest lease payments as of June 30, 2023, are as follows:

Years Ending June 30,	Payment	Principal	Interest
2024	\$ 42,744	\$ 39,785	\$ 2,959
2025	<u>42,744</u>	<u>41,026</u>	<u>923</u>
	<u>\$ 85,488</u>	<u>\$ 80,811</u>	<u>\$ 3,882</u>

**Note 7 - Long-Term Liabilities**

Long-term liabilities excluding unearned revenue consist partly of compensated absences and partly of the net pension liability. A summary of changes in long-term liabilities excluding unearned revenue and leases (see Note 6) for the year ended June 30, 2023 is as follows:

Compensated absences	
Balance - July 1	\$ 41,701
Salary adjustment	2,757
Annual leave accrued	55,854
Annual leave used	(48,096)
Sick leave accrued	1,170
Sick leave used	(589)
Balance - June 30	52,797
Current portion	(34,000)
Long-term compensated absences balance	<u>18,797</u>
Net pension liability	
Balance - July 1	700,539
Adjustment to record net pension liability	1,091,842
Balance - June 30	<u>1,792,381</u>
Other post-employment benefits	
Balance - July 1	36,260
Adjustment to record other post-employment benefits	35,561
Balance - June 30	<u>71,821</u>
Long-term liabilities	<u><u>\$ 1,882,999</u></u>

**Note 8 - Pension Plans**

The North Dakota Board of Nursing participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 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. The plan permits early retirement at ages 55-64 with three or more years of service.

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 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, 2023, the North Dakota Board of Nursing reported a liability of \$1,792,381 for its proportionate share of the NDPERS's net pension liability. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The North Dakota Board of Nursing's proportion of the net pension liability was based on North Dakota Board of Nursing's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2022, the North Dakota Board of Nursing's proportion was 0.062234%, which was a decrease from the prior year's proportion of 0.067159%.

For the year ended June 30, 2023, the North Dakota Board of Nursing recognized pension expense of \$280,426 for its proportionate share of NDPERS's pension expense.

At June 30, 2023, the North Dakota Board of Nursing reported its proportionate share of NDPERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 9,350	\$ 34,238
Changes in actuarial assumptions	1,071,870	664,500
Difference between projected and actual investment earnings	65,601	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	66,455	81,151
Contributions to NDPERS subsequent to the measurement date	<u>102,671</u>	<u>-</u>
Total	<u><u>\$ 1,315,947</u></u>	<u><u>\$ 779,889</u></u>

North Dakota Board of Nursing reported \$102,671 as deferred outflows of resources related to pensions resulting from the North Dakota Board of Nursing's contributions to NDPERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as outflows and inflows of resources related to NDPERS pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ 122,716
2025	150,786
2026	4,974
2027	154,911
Thereafter	-

### Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	30%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed Income	23%	0.34%
Global Real Assets	19%	4.35%

### Discount Rate

For NDPERS, 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 NDPERS plan, the use of a municipal bond rate is required.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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

The following presents the North Dakota Board of Nursing's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the North Dakota Board of Nursing's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 4.10%	Current Discount Rate 5.10%	1% Increase 6.10%
Employer's proportionate share of the net pension liability	\$ 2,365,819	\$ 1,792,381	\$ 1,321,607

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS Comprehensive Annual Financial Report. The financial report and related actuarial information are available by contacting NDPERS, 400 E Broadway Ave, Suite 505, PO Box 1657, Bismarck, ND 58502-1657.

**Note 9 - Other Postemployment Benefits**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund (RHIC) 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 NDPERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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 NDPERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2023, the Employer reported a liability of \$71,821 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2022, 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 July 1, 2022, the Employer's proportion was 0.059835% percent, which was a decrease from the prior year's proportion of 0.065195%.

For the year ended June 30, 2023, the Employer recognized OPEB expense of \$3,868. At June 30, 2023, 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 economic experience	\$ 1,703	\$ 618
Changes in actuarial assumptions	18,091	-
Net difference between projected and actual investment earnings	9,670	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,770	3,818
Contributions to NDPERS subsequent to the measurement date	8,212	-
Total	<u>\$ 41,446</u>	<u>\$ 4,436</u>

North Dakota Board of Nursing reported \$8,212 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, 2024.

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

<u>Years Ended June 30,</u>	<u>OPEB Expense Amount</u>
2024	\$ 7,734
2025	7,241
2026	6,055
1905	7,768
Thereafter	-

#### **Actuarial Assumptions**

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Broad US Equity	39.00%	5.75%
International Equities	26.00%	6.00%
Core-Plus Fixed Income	35.00%	0.22%

#### Discount Rate

The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plan, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	<u>1% Decrease (4.39%)</u>	<u>Current Discount Rate (5.39%)</u>	<u>1% Increase (6.39%)</u>
Employer's proportionate share of the net OPEB liability	\$ 91,675	\$ 71,821	\$ 55,154

## **Note 10 - 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 following are funds/pools established by the State for risk management issues:

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

The Board also participates in the North Dakota Fire and Tornado Fund. The Board pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

A premium is paid to a private insurance company for public employee blanket bond coverage. Coverage provided is \$50,000 per occurrence.

The Board participates in the North Dakota Workforce Safety Insurance (Agency), an Enterprise Fund of the State of North Dakota. The Agency 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.



Required Supplementary Information  
June 30, 2023

## North Dakota Board of Nursing

**Schedule of Employer's Share of Net Pension Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

<u>Pension plan</u>	<u>Measurement Date</u>	<u>Employer's proportion of the net pension liability (asset)</u>	<u>Employer's proportionate share of the net pension liability (asset)</u>	<u>Employer's covered payroll</u>	<u>Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
NDPERS	07/01/22	<u>0.062234%</u>	<u>\$ 1,792,381</u>	<u>\$ 722,435</u>	<u>248.10%</u>	<u>55.03%</u>
NDPERS	07/01/21	<u>0.067159%</u>	<u>\$ 699,999</u>	<u>\$ 760,502</u>	<u>92.04%</u>	<u>79.13%</u>
NDPERS	07/01/20	<u>0.060905%</u>	<u>\$ 1,916,084</u>	<u>\$ 671,855</u>	<u>285.19%</u>	<u>49.44%</u>
NDPERS	07/01/19	<u>0.060502%</u>	<u>\$ 709,127</u>	<u>\$ 629,327</u>	<u>112.68%</u>	<u>72.53%</u>
NDPERS	07/01/18	<u>0.065724%</u>	<u>\$ 1,109,164</u>	<u>\$ 675,197</u>	<u>164.27%</u>	<u>62.80%</u>
NDPERS	07/01/17	<u>0.061740%</u>	<u>\$ 992,284</u>	<u>\$ 630,221</u>	<u>157.45%</u>	<u>61.98%</u>
NDPERS	07/01/16	<u>0.059988%</u>	<u>\$ 584,642</u>	<u>\$ 604,542</u>	<u>96.71%</u>	<u>70.46%</u>
NDPERS	07/01/15	<u>0.036936%</u>	<u>\$ 251,158</u>	<u>\$ 329,053</u>	<u>76.33%</u>	<u>77.15%</u>
NDPERS	07/01/14	<u>0.033426%</u>	<u>\$ 245,385</u>	<u>\$ 281,580</u>	<u>87.15%</u>	<u>78.18%</u>

**Schedule of Employer's Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

<u>Pension plan</u>	<u>Measurement date</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency</u>	<u>Employer's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
NDPERS	07/01/23	<u>\$ 102,671</u>	<u>\$ (102,671)</u>	<u>\$ -</u>	<u>\$ 829,800</u>	<u>12.37%</u>
NDPERS	07/01/22	<u>\$ 103,559</u>	<u>\$ (103,559)</u>	<u>\$ -</u>	<u>\$ 838,205</u>	<u>12.35%</u>
NDPERS	07/01/21	<u>\$ 102,017</u>	<u>\$ (102,017)</u>	<u>\$ -</u>	<u>\$ 760,502</u>	<u>13.41%</u>
NDPERS	07/01/20	<u>\$ 96,504</u>	<u>\$ (96,504)</u>	<u>\$ -</u>	<u>\$ 671,855</u>	<u>14.36%</u>
NDPERS	07/01/19	<u>\$ 92,894</u>	<u>\$ (92,894)</u>	<u>\$ -</u>	<u>\$ 629,327</u>	<u>14.76%</u>
NDPERS	07/01/18	<u>\$ 92,216</u>	<u>\$ (92,216)</u>	<u>\$ -</u>	<u>\$ 675,197</u>	<u>13.66%</u>
NDPERS	07/01/17	<u>\$ 90,399</u>	<u>\$ (90,399)</u>	<u>\$ -</u>	<u>\$ 630,221</u>	<u>14.34%</u>
NDPERS	07/01/16	<u>\$ 85,928</u>	<u>\$ (85,928)</u>	<u>\$ -</u>	<u>\$ 604,542</u>	<u>14.21%</u>
NDPERS	07/01/15	<u>\$ 46,462</u>	<u>\$ (46,462)</u>	<u>\$ -</u>	<u>\$ 329,053</u>	<u>14.12%</u>

**Notes to Schedules**

\* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the North Dakota Board of Nursing will present information for those years for which information is available.

**Schedule of Employer's Share of Net OPEB Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

OPEB plan	Measurement Date	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 - employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
NDPERS	07/01/22	<u>0.059835%</u>	<u>\$ 71,821</u>	<u>\$ 838,205</u>	<u>8.57%</u>	<u>56.28%</u>
NDPERS	07/01/21	<u>0.065195%</u>	<u>\$ 36,260</u>	<u>\$ 760,502</u>	<u>4.77%</u>	<u>76.63%</u>
NDPERS	07/01/20	<u>0.058936%</u>	<u>\$ 49,577</u>	<u>\$ 671,855</u>	<u>7.38%</u>	<u>63.38%</u>
NDPERS	07/01/19	<u>0.056399%</u>	<u>\$ 45,299</u>	<u>\$ 629,327</u>	<u>7.20%</u>	<u>63.13%</u>
NDPERS	07/01/18	<u>0.061706%</u>	<u>\$ 48,598</u>	<u>\$ 675,197</u>	<u>7.20%</u>	<u>61.89%</u>
NDPERS	07/01/17	<u>0.058254%</u>	<u>\$ 46,080</u>	<u>\$ 630,221</u>	<u>7.31%</u>	<u>59.78%</u>

**Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

OPEB plan	Measurement date	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency	Employer's covered payroll	Contributions as a percentage of covered payroll
NDPERS	07/01/23	<u>\$ 8,212</u>	<u>\$ (8,212)</u>	<u>\$ -</u>	<u>\$ 829,800</u>	<u>0.99%</u>
NDPERS	07/01/22	<u>\$ 8,247</u>	<u>\$ (8,247)</u>	<u>\$ -</u>	<u>\$ 838,205</u>	<u>0.98%</u>
NDPERS	07/01/21	<u>\$ 7,803</u>	<u>\$ (7,803)</u>	<u>\$ -</u>	<u>\$ 760,502</u>	<u>1.03%</u>
NDPERS	07/01/20	<u>\$ 7,667</u>	<u>\$ (7,667)</u>	<u>\$ -</u>	<u>\$ 671,855</u>	<u>1.14%</u>
NDPERS	07/01/19	<u>\$ 7,380</u>	<u>\$ (7,380)</u>	<u>\$ -</u>	<u>\$ 629,327</u>	<u>1.17%</u>
NDPERS	07/01/18	<u>\$ 7,697</u>	<u>\$ (7,697)</u>	<u>\$ -</u>	<u>\$ 675,197</u>	<u>1.14%</u>

\* GASB Statement No. 75 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the North Dakota Board of Nursing will present information for those years for which information is available.

**Note 1 - Notes to the Schedules of Employer Pension Liability and Contributions**

***Changes of Assumptions***

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2021 valuation:

- The investment return assumption was lowered from 7.00% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**Note 2 - Notes to the Schedules of Employer OPEB Liability and Contributions**

***Changes of Benefit Terms***

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, 2020.



Supplementary Information  
June 30, 2023

**North Dakota Board of Nursing**

North Dakota Board of Nursing  
Schedule of Revenues and Expenses – General Fund – Budget and Actual  
Year Ended June 30, 2023

	General Fund		
	Original and Final Budget	Actual	Variance
Revenues			
Endorsements			
Professional	\$ 150,000	\$ 151,613	\$ 1,613
Practical	10,500	12,825	2,325
Re-registration			
Professional	968,500	954,703	(13,797)
Practical	151,200	157,590	6,390
Exams			
Professional	87,500	97,719	10,219
Practical	37,500	32,969	(4,531)
APRN License Renewal	83,440	75,440	(8,000)
Reactivation fee	8,750	8,650	(100)
Advance licensure	42,625	55,156	12,531
Prescriptive authority	24,000	11,694	(12,306)
Prescriptive authority renewal	61,500	55,219	(6,281)
Unlicensed assistive person registry	24,100	28,870	4,770
Medication assistant	5,200	7,720	2,520
Mailing list	3,500	3,406	(94)
Late Renewal & Late App Penalty Fees	7,000	8,200	1,200
Penalty fees	50,000	55,188	5,188
Encumbrance fees	9,120	8,960	(160)
Publications, verifications, and other fees	3,000	7,065	4,065
Continuing education Approval Fee	40,000	36,880	(3,120)
NEL application fee	1,350	1,790	440
CHRC Processing Fee	58,000	60,860	2,860
Program recognition fees	37,500	36,000	(1,500)
Interest	6,000	1,509	(4,491)
NEL Income	88,650	85,950	(2,700)
Other	-	3,661	3,661
Total revenues	<u>1,958,935</u>	<u>1,959,637</u>	<u>702</u>

North Dakota Board of Nursing  
Schedule of Revenues and Expenses – General Fund – Budget and Actual  
Year Ended June 30, 2023

	General Fund		
	Original and Final Budget	Actual	Variance
Operating Expenses			
Salaries	844,000	856,726	(12,726)
Benefits	168,850	347,611	(178,761)
EAP Program Premium	205	202	3
Health insurance	195,000	184,310	10,690
Life insurance	50	37	13
Workers compensation	850	849	1
Staff development	9,000	6,023	2,977
Total employee compensation and benefits	<u>1,217,955</u>	<u>1,395,758</u>	<u>(177,803)</u>
Board staff expenses	9,000	9,319	(319)
Board meeting expenses	26,000	17,714	8,286
Total board expenses	<u>35,000</u>	<u>27,033</u>	<u>7,967</u>
Rent	43,000	42,744	256
Phone expense	9,500	9,326	174
Office supplies expense	1,500	2,023	(523)
Document Disposal	300	137	163
Postage expense	2,750	2,261	489
Publications and subscriptions	1,600	1,407	193
Service contract	950	909	41
Repairs and parts	250	-	250
Office insurance	1,750	1,459	291
Disciplinary process	2,500	8,701	(6,201)
NCSBN	6,500	6,000	500
Bank charges	150	50	100
Audit fees	21,500	22,000	(500)
Legal fees	107,800	107,044	756
Consultant	5,000	4,973	27
Technology maintenance	12,000	10,492	1,508
On-line system payments	29,000	31,184	(2,184)
Equipment expense	10,400	10,008	392
Internet service & hosting	16,750	16,918	(168)
Office maintenance	1,400	1,320	80
Program enhancements	39,000	12,233	26,767
Rule Revisions	3,500	-	3,500
Miscellaneous	400	207	193
NEL Transfer	88,650	85,950	2,700
Loss on sale of fixed asset	-	1,925	(1,925)
Depreciation expense	-	16,875	(16,875)
Total other operating expenses	<u>406,150</u>	<u>396,146</u>	<u>10,004</u>
Total operating expenses	<u>1,659,105</u>	<u>1,818,937</u>	<u>(159,832)</u>
Expenses over Revenues	<u>\$ 299,830</u>	<u>\$ 140,700</u>	<u>\$ 159,130</u>



Other Information  
June 30, 2023

## North Dakota Board of Nursing

<b><u>Names and Address</u></b>	<b><u>Office</u></b>	<b><u>Expiration Date of Term</u></b>
<b>Advanced Practice Registered Nurse</b> Kevin Buettner Grand Forks, ND	President	June 30, 2025
<b>Registered Nurses</b> Maggie Seamands Bismarck, ND		June 30, 2026
Jamie Hammer Minot, ND	Treasurer	June 30, 2024
Joseph Vetter Bismarck, ND		June 30, 2027
Melodi Krank Fargo, ND		June 30, 2026
Dana Pazdernik New Salem, ND		June 30, 2025
<b>Licensed Practical Nurses</b> Wendi Johnston Kathryn, ND	Vice President	June 30, 2024
<b>Public Member</b> Cheryl Froelich Mandan, ND		June 30, 2025

**Office Staff**

Stacey Pfenning, APRN, DNP, FNP, FAANP  
Melissa Hanson, MSN, RN  
Tammy Buchholz, DNP, RN, CNE  
Maureen Bentz, MSN, RN, CNML  
Corrie Lund, MSN, RN  
Kyle Martin (Started 10/1/21)  
Karen Hahn (Started 4/1/19)  
Mike Frovarp (Started 11/1/19)  
Christa Stayton (Started 9/1/21)  
Norma Geiger (Started 4/1/22)  
Kimberly Kolling (Started 7/1/22)

Executive Director  
Associate Director for Compliance  
Associate Director for Education  
Director for Administrative Services and Licensing  
Associate Director for Practice  
Associate Director of Operations  
Administrative Services Team Lead  
Accounting/Licensing Specialist  
Administrative Assistant Licensing Specialist  
Administrative Assistant  
Administrative Assistant Licensing Specialist



**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 Board of Nursing  
Bismarck, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and each major fund of the North Dakota Board of Nursing as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the North Dakota Board of Nursing's basic financial statements, and have issued our report thereon dated January 17, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the North Dakota Board of Nursing's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Board of Nursing's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Board of Nursing'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 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 described in the accompanying Schedule of Findings and Responses as item 2023-002 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 item 2023-001 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the North Dakota Board of Nursing'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 Board of Nursing's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the North Dakota Board of Nursing's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. North Dakota Board of Nursing's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
January 17, 2024

## Significant Deficiencies

### 2023-001 - Preparation of Financial Statements

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements.

Condition: The Board does not have an internal control system designed to provide for the preparation of the financial statements being audited or for the preparation of adjusting entries related to GASB 68, GASB 75, and GASB 87. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements, and to propose adjusting entries for GASB 68, GASB 75, and GASB 87. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause: The control deficiency could result in a misstatement to the presentation of the financial statements.

Effect: Inadequate controls over financial reporting of the Board result in the more than remote likelihood that the Board would not be able to draft the financial statements and accompanying notes to the financial statements without the assistance of the auditors.

Recommendations: Management and the Board should continually be aware of the financial reporting of the Board and changes in reporting requirements.

Response: Since it is not cost-effective for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of North Dakota Board of Nursing.

## Material Weaknesses

### 2023-002 – Reconciliation Audit Adjustments to the General Fund

Criteria: Proper internal controls include controls that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Condition: During the course of our engagement, we proposed an audit adjustment to the North Dakota Board of Nursing's recorded account balances in the areas of unearned revenue, notes receivable, and expenditures. The amount of the adjustment was not material, but it is our opinion that if the amount had been material, the North Dakota Board of Nursing's reconciliation controls would not have identified the misstatement.

Cause: Management's reconciliation controls failed to ensure that unearned revenue and notes receivable were appropriately reconciled on June 30, 2023.

Effect: The need for this adjustment indicates a risk that the North Dakota Board of Nursing's financial information may not be materially correct, which may affect management decisions made during the year.

Recommendation: We recommend the North Dakota Board of Nursing review reconciliation controls to ensure the controls in place will prevent, or detect and correct, misstatements on a timely basis.

Views of Responsible Officials: Management agrees with the finding. Management will review its internal processes to ensure transactions are properly accounted for and reflected on its Statement of Net Position.