

**NORTH DAKOTA STATE
BOARD OF PHARMACY**

**FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

WITH INDEPENDENT AUDITOR'S REPORT

NORTH DAKOTA STATE BOARD OF PHARMACY

**TABLE OF CONTENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>Page(s)</u>
OFFICERS AND MEMBERS OF THE BOARD	1
INDEPENDENT AUDITOR'S REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-6
FINANCIAL STATEMENTS	
Statements of Net Position	7-8
Statements of Revenues and Expenses and Changes in Net Position	9-10
Statements of Cash Flows	11-12
Notes to Financial Statements	13-29
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Employer's Share of Net Pension Liability	30
Schedule of Employer Contributions - Net Pension Liability	31
Schedule of Employer's Share of Other Post-Employment Benefits Liability	32
Schedule of Employer Contributions - Other Post-Employment Benefits	33
Notes to the Required Supplementary Information	34
SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenses - Compared to Budget	35-36
Notes to schedule of Revenues and Expenses - Compared to Budget	37
OTHER REPORTS	
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 <i>Government Auditing Standards</i>	38-39
Schedule of Findings and Responses	40-41

**NORTH DAKOTA STATE BOARD OF PHARMACY
OFFICERS AND MEMBERS OF THE BOARD
JUNE 30, 2023**

			<u>Term Expires</u>
Steven P. Irsfeld, R.Ph.	Dickinson	President	5/8/2024
Tanya L. Schmidt, PharmD	Fargo	Member	5/8/2025
Shane R. Wendel, R.Ph.	Carrington	Member	5/8/2027
Tyler Lannoye, PharmD	Leeds	Member	5/8/2028
Diane M. Halvorson, R.Ph.Tech.	Fargo	Member	5/8/2026
Carolyn Bodell, R.Ph.	Minot	Member	5/8/2026
Ron Horner	Bismarck	Member	5/8/2026



INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the business-type activities of North Dakota State Board of Pharmacy, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise North Dakota Board of Pharmacy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of North Dakota Board of Pharmacy, as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, 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 Board'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board'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, schedule of employer's share of net pension liability, schedule of employer contributions – net pension liability, schedule of employer's share of other post-employment benefits liability, schedule of employer contributions – other post-employment benefits and notes to the required supplementary information presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Board has adopted the provisions of Government Accounting Standards Statement No. 87, *Leases*, as amended, for the year ended June 30, 2023. There has been effect on the prior year's financial statement. Our opinions are not modified with respect to this matter.

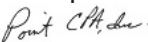
As discussed in Note 2 to the financial statements, the Board has adopted the provisions of Government Accounting Standards Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2022, to restate beginning net position. Our opinion are not modified with respect to this matter.

Supplementary Information

Our audit is conducted for the purpose of forming opinions on financial statements that collectively comprise of the Board's basic financial statements. The statement of revenues and expenses – compared to budget and notes to statement of revenues and expenses – compared to budget are presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2024 on our consideration of the North Dakota State Board of Pharmacy'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 the effectiveness of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota State Board of Pharmacy's internal control over financial reporting and compliance.


Bismarck, North Dakota
July 18, 2024

NORTH DAKOTA STATE BOARD OF PHARMACY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

This section of the North Dakota State Board of Pharmacy's financial report represents management's discussion and analysis of the Board's financial performance for the fiscal year ended June 30, 2023. For a more complete perspective of the Board's financial condition, please read this discussion and analysis in conjunction with the Board's audited financial statements included in this report.

PROFILE OF THE BOARD

The Board is a regulatory agency of the State of North Dakota. The 1890 Legislative Assembly passed pharmacy practice legislation codified in North Dakota Century Code Chapter 43-15. This Chapter requires the Governor to appoint a State Board of Pharmacy. The Board consists of five pharmacists, one registered pharmacy technician and one public member, who serve for a term of five years. The Board is responsible for examining and licensing applicants for licensure as pharmacists, pharmacy technicians and interns. It is also responsible for issuing permits for operating Pharmacies and Wholesale Drug Warehouses, Jobbers or Brokers, Manufacturers, Outsourcing Facilities, Distributors, Packagers, and Veterinary Distributors; for regulating and controlling the dispensing of prescription drugs and devices; and the practice of pharmacy for the protection of the health, welfare, and safety of the citizens of North Dakota. The Board employs an Executive Director to take care of the day-to-day operations of the Board. In addition, there is an administrative assistant, who works for the Board. The Board also operates a Prescription Drug Monitoring Program (PDMP) that employs one full-time employee.

FINANCIAL HIGHLIGHTS

The effect of pharmacy on the public has been increasing and, along with this, the number of licensees has been steadily increasing. With this increase in licensees, the Board understands that it is important to maintain appropriate financial reserves for any unanticipated legal issues. These financial reserves have decreased in previous fiscal years. The Board continues to expand services to the public and licensees including the Prescription Drug Monitoring Program (PDMP) and a controlled substance disposal program. The Board expects future expenses to grow with the cost of maintaining the PDMP and controlled substance disposal program. The Board continues to expand its computer database to offer online renewals and online verification of license information, along with many other services.

The Board owns no real property and maintains their financial assets in cash, cash equivalents and certificates of deposit, along with a few items of office equipment and computer programs. Its revenues consist of licensing, permitting, application fees, late fees, and interest income.

The Board received a grant from the North Dakota Department of Health and Human Services to help defray the costs of the electronic health record integration with the PDMP. The grant amount was for \$87,000. During the years ended June 30, 2023 and 2022, \$87,000 was expended, respectively. In aggregate, the Board received \$497,900 through the year ended 2023.

In comparing the budgeted figures with actual, there was approximately \$124,000 less in actual expenses than budgeted expenses and approximately \$64,000 more in actual revenues than budgeted revenues. Expenses incurred by the Board were less than budgeted due to budgeting for contractual services but not having any contractual service expenses during the year. The majority of the increase in actual revenues over budgeted revenues is due to wholesale drug licenses.

NORTH DAKOTA STATE BOARD OF PHARMACY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Fiscal management and good business environment has positioned the Board with adequate resources and assets to implement larger projects to benefit the public and profession. In addition, the Board has been able to build adequate reserves in case of any future expenses or projects. overview of financial statements

The financial statements are presented in the form of 1) Statements of Net Position, 2) Statements of Revenues and Expenses, and 3) Statements of Cash Flows.

The Statements of Net Position presents mostly the cash, cash equivalents and certificates of deposit held by the Board in addition to office equipment and computer programs with a net book value of \$-0-. The short-term liabilities mostly consist of accounts payable, short-term payroll obligations, and fees owed to North Dakota State University School of Pharmacy as part of a statutory obligation. These funds are transferred to the University in January each year. Long-term liabilities consist of net other post-employment benefits, net pension liability and deferred revenue from pharmacy and wholesale permits. Deferred outflows of resources related to other post-employment benefits and pensions were approximately \$474,000 and deferred inflows of resources related to other post-employment benefits, pensions, and licenses and fees were approximately \$1,034,000. In 2000, the Board designated their contingency fund to be equal to one year's net operating budget, so this balance continues to increase slightly each year.

The Statements of Revenues and Expenses and Changes in Net Position comprise the usual activities of income from the licensure and permitting fees, as well as the usual expenses in providing those services and for the Board of Pharmacy to fulfill their duties on a state, national, and sometimes international basis. Total revenues for fiscal year 2023 were approximately \$1,172,000, an increase of about \$16,000 from the prior year. Total expenses for fiscal year 2023 was approximately \$1,024,000, a decrease from the prior year of approximately \$366,000. This resulted in an increase in net position of approximately \$153,000.

The Statements of Cash Flows reflects the same information as the changes in Statement of Net Position accounts and how revenues over (under) expenses affect cash and cash equivalents.

Questions regarding this report may be directed to the Executive Director, Mark J. Hardy, Pharm D. by telephone (701) 701-877-2404 – email MHardy@ndboard.pharmacy or by mail at: 1838 E. Interstate Ave, Suite D Bismarck, ND 58503.

NORTH DAKOTA STATE BOARD OF PHARMACY

**STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,317,063	\$ 2,010,118
Total current assets	<u>2,317,063</u>	<u>2,010,118</u>
NONCURRENT ASSETS		
Right of use assets, net of amortization		
Office lease	149,800	-
Subscription	267,504	413,416
Certificates of deposit	40,362	140,362
Total noncurrent	<u>457,666</u>	<u>553,778</u>
CAPITAL ASSETS		
Office equipment	6,994	6,994
Database and software	35,809	35,809
Accumulated depreciation	<u>(42,803)</u>	<u>(42,803)</u>
Total capital assets	<u>-</u>	<u>-</u>
Total assets	<u>2,774,729</u>	<u>2,563,896</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other post employment benefits plan	15,840	4,393
Pension plan	<u>458,334</u>	<u>290,200</u>
Total deferred outflows of resources	<u>474,174</u>	<u>294,593</u>
Total assets and deferred outflows of resources	<u><u>\$ 3,248,903</u></u>	<u><u>\$ 2,858,489</u></u>

See Notes to Financial Statements

NORTH DAKOTA STATE BOARD OF PHARMACY

STATEMENTS OF NET POSITION - CONTINUED

JUNE 30, 2023 AND 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Accounts payable	\$ 16,449	\$ 18,370
Due to employees	1,579	-
Insurance commissions payable	512,400	504,600
Current portion of long-term liabilities		
Office lease liability	31,431	-
Subscription agreement liability	148,768	146,640
Accrued retirement payable	5,366	5,217
Accrued taxes payable	1,915	1,080
Accrued vacation payable	28,493	62,103
Internship fees payable	14,580	16,830
	<u>760,981</u>	<u>754,840</u>
Total current liabilities		
	<u>760,981</u>	<u>754,840</u>
LONG-TERM LIABILITIES		
Due in more than one year		
Office lease liability	119,371	-
Subscription agreement liability	122,715	271,483
Net other post employment benefits liability	32,839	13,885
Net pension liability	700,778	249,985
	<u>975,703</u>	<u>535,353</u>
Total long-term liabilities		
	<u>975,703</u>	<u>535,353</u>
Total liabilities	<u>1,736,684</u>	<u>1,290,193</u>
	<u>1,736,684</u>	<u>1,290,193</u>
DEFERRED INFLOWS OF RESOURCES		
License and registration fees	758,435	755,425
Other post employment benefits plan	291	5,143
Pension plan	275,503	482,503
	<u>1,034,229</u>	<u>1,243,071</u>
Total deferred inflows of resources		
	<u>1,034,229</u>	<u>1,243,071</u>
NET POSITION		
Unrestricted	477,990	325,225
	<u>477,990</u>	<u>325,225</u>
Total net position		
	<u>477,990</u>	<u>325,225</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,248,903</u>	<u>\$ 2,858,489</u>

See Notes to Financial Statements

NORTH DAKOTA STATE BOARD OF PHARMACY
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Grant revenue	\$ 87,000	\$ 87,000
Internship fees	2,840	3,040
Miscellaneous fees and reimbursements	41,809	46,409
Pharmacist's licenses	164,575	163,410
Pharmacy permits	184,100	182,175
Technician registrations	22,833	24,435
Third party logistics permits	68,800	65,600
Veterinary licenses	6,405	5,110
Wholesale drug licenses	593,700	578,600
	<hr/>	<hr/>
Total operating revenues	1,172,062	1,155,779
	<hr/>	<hr/>
OPERATING EXPENSES		
Salaries	304,685	280,709
Employee benefits	184,404	165,836
Payroll taxes	25,696	22,565
Amortization	162,555	145,911
Compliance and investigation	33,416	52,808
Consulting	12,714	9,958
Credit card fees	53,722	50,365
Database hosting fee	25,135	29,037
Dues and subscriptions	4,852	4,683
Education funding	9,500	16,000
Examinations	2,377	4,564
Legal and accounting	19,371	423,170
Miscellaneous	8,235	7,700
Newsletter	760	310
Office supplies and postage	8,207	7,130
Prescription Drug Monitoring Program	86,778	92,749
Printing	2,306	2,571
Rent	5,200	16,900
Repairs and maintenance	14,982	7,245
Rule hearings and publications	-	2,187
Telephone	3,994	4,447
Travel and meetings	55,262	42,160
Training	-	650
	<hr/>	<hr/>
Total operating expenses	1,024,151	1,389,655
	<hr/>	<hr/>
Net operating revenue/(cost)	147,911	(233,876)

See Notes to Financial Statements

NORTH DAKOTA STATE BOARD OF PHARMACY
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION -
CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NON-OPERATING REVENUE (EXPENSES)		
Interest income	17,567	11,955
Interest expense	<u>(12,713)</u>	<u>(10,796)</u>
Total non-operating revenue	<u>4,854</u>	<u>1,159</u>
CHANGE IN NET POSITION	152,765	(232,717)
NET POSITION , beginning of year	<u>325,225</u>	<u>557,942</u>
NET POSITION , end of year, as originally stated	-	329,932
Prior period adjustment	-	(4,707)
NET POSITION , end of year, restated	<u>-</u>	<u>325,225</u>
NET POSITION , end of year	<u><u>\$ 477,990</u></u>	<u><u>\$ 325,225</u></u>

See Notes to Financial Statements

NORTH DAKOTA STATE BOARD OF PHARMACY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from license, permits, and fees	\$ 1,043,423	\$ 1,040,430
Cash received for internships	590	1,240
Cash received for insurance commissions	7,800	504,600
Cash received for miscellaneous income	128,809	134,379
Cash payments to suppliers	(347,152)	(896,851)
Cash payments to employees	(469,097)	(402,507)
	<u>364,373</u>	<u>381,291</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	17,567	10,985
Interest paid	(12,713)	-
Proceeds from redemption of certificates of deposit	100,000	155,365
	<u>104,854</u>	<u>166,350</u>
Net cash provided by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on office lease liability	(15,642)	-
Payments on subscription liability	(146,640)	(144,543)
	<u>(162,282)</u>	<u>(144,543)</u>
Net cash used by financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	306,945	403,098
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,010,118</u>	<u>1,607,020</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,317,063</u></u>	<u><u>\$ 2,010,118</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income (loss)	\$ 152,765	\$ (232,717)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	162,555	145,911
Change in assets and liabilities:		
Accounts payable	(1,921)	(114,411)
Due to employees	1,579	-
Insurance commissions payable	7,800	504,600
Accrued retirement payable	149	138
Accrued taxes payable	835	119
Accrued vacation payable	(33,610)	(1,746)
Deferred revenue	3,010	20,751
Fees payable to internship program	(2,250)	(1,800)

See Notes to Financial Statements

NORTH DAKOTA STATE BOARD OF PHARMACY

**STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Net other post employees benefits liability	18,954	(5,385)
Net pension liability	450,793	(502,419)
Changes in deferred outflows and inflows		
Increase in deferred outflows of resources related to pension and OPEB	(179,581)	191,665
Increase in deferred inflows of resources related to pension and OPEB	<u>(216,705)</u>	<u>376,585</u>
Net cash provided by operating activities	<u>\$ 364,373</u>	<u>\$ 381,291</u>

See Notes to Financial Statements

NORTH DAKOTA STATE BOARD OF PHARMACY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The North Dakota Board of Pharmacy (the Board) is composed of seven members, five of whom are registered pharmacists, one board member who is a registered pharmacy technician, and one public member, appointed by the governor for a term of five years. The Board is responsible for examining and licensing applicants for registration as pharmacists and pharmacy technicians, for issuing permits to operate pharmacies and wholesale drug manufacturers/distributors, for regulating and controlling the dispensing of prescription drugs, and the practice of pharmacy for the protection of the health, welfare, and safety of the citizens of the state. Governing laws for the Board are found in chapter 43-15 of the North Dakota Century Code.

Reporting Entity

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Board's financial statements are presented 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 the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Board recovers its costs through licensing fees and permits.

Proprietary fund financial statements are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues and Expenses presents increases (revenues) and decreases (expenses) reported during the year that flow through to total net position, as reported on the Statement of Changes in Net Position.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. Operating expenses are those expenses that are essential to the primary operations of the fund. All other revenues and expenses are reported as non-operating revenues and expenses.

Proprietary Fund

The Board has only one proprietary fund, which is the Operating Fund, which accounts for all operations of the Board.

Budget

The Board follows the procedures established by North Dakota law for the budgeting process. The budget may be amended with board approval.

Cash and Cash Equivalents

Cash and cash equivalents consist of the cash, checking and savings accounts for purposes of the cash flow statements. The Board considers all highly liquid investments with an original maturity of three months or less to be a cash equivalent.

Certificates of Deposit

The Board holds certificates of deposits with various local banks with original maturities of 12 months to 5 years, reported at cost.

Accounts Receivable

Accounts receivable consists of funds owed from a North Dakota Department of Health and Human Services grant. The grant is to help pay for the Prescription Drug Monitoring Program. The Board uses the direct write-off method to write-off accounts receivable balances that are determined to be uncollectible. There was no bad debt expense during the years ended June 30, 2023 and 2022.

Capital Assets

Capital assets are defined by the Board as assets with an initial, individual cost at or greater than \$3,000. These assets are recorded at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. Depreciation is recorded based on accelerated and straight-line methods over the estimated useful life of 3 - 5 years.

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Deferred Outflows 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 Board has two items that qualify for reporting in this category as related to the pension plan and other post-employment benefits plan.

Compensated Absences

Annual leave is earned based on tenure of employment, within a range of a minimum of one working day per month of employment, to a maximum of two working days per month of employment. There is no limit on accrued annual leave, as set by the Board. Employees are paid for unused annual leave upon termination or retirement.

Sick leave is earned based on tenure at a rate of one to a maximum of one and one-half working days per month of employment. There are no limitations on the amount of sick leave that an employee can accumulated. Employees who have ten continuous years of service are paid one-tenth of their accumulated sick leave upon leaving service.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 (revenues) until that time. The Board has three types of items that qualify for reporting in this category. The first item, *License and Registration Fees*, represents license and registration fees received in advance of the period the license or registration is effective for. The other two items are related to the pension plan and other post-employment benefits plan.

Net Position Classifications

Net position represents the difference between assets and liabilities. Net position in the financial statements is classified as the following three components:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount consists of resources with constraints placed on the use of those resources by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation. The Board has no restricted net position.

Unrestricted Net Position – This amount consists of all other net position that does not meet the definitions above.

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

The Board has a goal is to set aside unrestricted net position in the amount equal 100% of the next year's anticipated operating costs. As of June 30, 2023 that amount is \$1,101,932.

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

Other Post-Employment Benefits (OPEB)

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

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.

Grant Revenue

The Board received an \$87,000 grant from the Department of Health and Human Services to help defray the costs of the electronic health record integration with the Prescription Drug Monitoring Program for the year ended June 30, 2023.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the financial statements. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 – IMPLEMENTATION OF NEW GASB STANDARDS

As of July 1, 2022, the Board adopted GASB Statement No. 87, *leases*, as amended. The implementation of the standard establishes a single model for lease accounting based on the fundamental principle that leases are financing the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Implementing this standard does not have any effect on the beginning net position.

As of July 1, 2022, the Board adopted GASB Statement No. 96, *subscription-based information technology arrangements*. The implementation of the standard established that a subscription-based information technology arrangements results in a right-to-use subscription asset and subscription liability. The following accounts were restated to retroactively adopt the provisions of GASB Statement No. 96. The right of use asset – subscription account increased by \$729,557, the accumulated amortization – subscription account increased by \$316,141, the lease liability – subscription increased by \$418,123, and net position decreased by \$4,707.

NOTE 3 — CASH AND CERTIFICATES OF DEPOSITS

The Boards' checking account and certificates of deposit are deposited in two banks. Certificates of deposit have varying maturities of up to 5 years and earned interest rates range from .55% to 1.75% per annum. The certificates of deposit are held to maturity and are therefore recorded at cost.

The Board's funds are required to be deposited and invested with the designated depositories in accordance with the laws of North Dakota. North Dakota laws require all public deposits be protected by insurance, surety bond or collateral pledged by the financial institution. Pledged collateral must equal 110% of the deposits not covered by insurance or bonds.

In accordance with North Dakota Statutes, the Board maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System. Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Beyond what is stated in the North Dakota Century Code, the Board does not have a formal policy to further limit exposure to custodial credit risk.

As of June 30, 2023, the Board had deposits and certificates of deposit with a carrying amount of \$2,350,646 at BNC National Bank. At June 30, 2023, all deposits were fully insured. As of June 30, 2022, the certificate of deposit was fully insured.

NOTE 4 — PHARMACY TECHNICIAN ASSOCIATION DUES

The Board is required to collect the annual dues for the Northland Association of Pharmacy Technicians and remit these dues to the organization during the year. The fee is \$35, half of which is retained by the Board and half of which is remitted to the organization. The total remitted to this organization during the years ended June 30, 2023 and 2022 was \$16,003 and \$15,180, respectively. As of June 30, 2023, the Board owes the Northland Association of Pharmacy Technicians' \$-0- for annual dues collected by the Board that has yet to remit to the organization.

NOTE 5 – NORTH DAKOTA STATE UNIVERSITY INTERNSHIP FEES

Starting in fiscal year 2018, the Board collects internship fees for North Dakota State University School of Pharmacy internship program. The fee is \$100, of which \$10 is retained by the Board and \$90 is remitted to the University. The fees are remitted to the University each January. As of June 30, 2023 and 2022, the Board owed the North Dakota State University School of Pharmacy \$14,580 and \$16,830, respectively.

NOTE 6 – LEASE

The lease agreement is summarized as follows:

<u>Item Leased</u>	<u>Date of Lease</u>	<u>Payment Term</u>	<u>Monthly Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Liability</u>	<u>Balance June 30, 2023</u>
Office	1/1/2023	60 months	\$3,048	3.77%	166,444	150,802

In 2023, the Board entered into a lease agreement with the State of North Dakota for office space. Monthly payments total \$3,048. The term is 60 months with the option to renew for 60 additional months twice. The interest rate on the lease is 3.77%.

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 31,431	\$ 5,146
2025	32,637	3,940
2026	33,889	2,688
2027	35,189	1,338
2028	17,656	191
Thereafter	-	-
Total	<u>\$ 150,802</u>	<u>\$ 13,303</u>

NOTE 7 – SUBSCRIPTION AGREEMENT

The subscription agreement is summarized as follows:

<u>Right of Use Asset</u>	<u>Date of Agreement</u>	<u>Payment Term</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Liability</u>	<u>Balance June 30, 2023</u>
PMP AWARe Software	4/1/2020	5 years	Variable Payments	1.44%	729,557	271,483

In 2020, the Board entered into a subscription agreement with Appriss, Inc for the use of PMP AWARe Service. The term is 5 years with an interest rate of 1.44%. The payments include two annual payments and one quarterly payment. Annual payments include one for \$87,000 paid on December 31 and another for \$12,000 paid on April 30 each year. Payments for \$13,250 are paid quarterly beginning July 31 each fiscal year.

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 148,768	\$ 3,232
2025	122,715	1,084
2026	-	-
2027	-	-
2028	-	-
Thereafter	-	-
Total	<u>\$ 271,483</u>	<u>\$ 4,316</u>

NOTE 8 – INSURANCE COMMISSION PAYABLE

Starting in fiscal year 2022, the Board collects fees for the North Dakota Insurance Commissioner's Office for the Prescription Drug Cost Transparency Program. All facilities holding a North Dakota Wholesale license under the business types, Jobber or Broker, Manufacturer, Own Label Distributor, Private Label Distributor, Repackager, Virtual Wholesale or Distributor, as

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

well as all Third Party Logistics providers will have their yearly license fee increase from \$400 to \$1,000. The Board will collect the increase license fee of \$600 and distribute the fee to the North Dakota Insurance Commissioner on an annual basis. As of June 30, 2023 and 2022, the Board owed \$512,400 and \$504,600, respectively.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLAN (OPEB)

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

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

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

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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 \$32,839 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 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 June 30, 2022, the Employer's proportion was 0.027359%, which was an increase of 0.002448% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Employer recognized OPEB expense of \$3,438. 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 experience	\$ 778	\$ 282
Changes of assumptions	8,272	-
Net difference between projected and actual earnings on pension plan investments	4,422	-
Changes in proportion and differences between employer employer contributions and proportionate share of contributions	2,367	9
Employer contributions subsequent to the measurement date	3,096	-
	<u>\$ 18,935</u>	<u>\$ 291</u>

\$3,096 reported as deferred outflows of resources related to OPEB resulting from Employer

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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:

Year ended June 30:		
2024	\$	4,142
2025		3,917
2026		3,408
2027		4,081
2028		-
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	5.75%, 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 PM-2019scale.

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.

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Core-Plus Fixed Income	35%	0.50%
International equities	26%	6.25%

Discount rate.

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the Plans as of June 30, 2022, 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:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Employer's proportionate share of net OPEB liability	\$ 41,917	\$ 32,839	\$ 25,218

NOTE 10 — PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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

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

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.

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2023, the Employer reported a liability of \$700,778 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the Employer's proportion was 0.024332 percent, which was an increase of 0.000348 from its proportion measured as of June 30, 2021.

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

For the year ended June 30, 2023, the Employer recognized pension expense of \$97,381. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,656	\$ 13,386
Changes of assumptions	419,075	259,804
Net difference between projected and actual earnings on pension plan investments	25,648	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,955	2,316
Employer contributions subsequent to the measurement date	<u>22,710</u>	<u>-</u>
	<u><u>\$ 481,044</u></u>	<u><u>\$ 275,506</u></u>

\$22,710 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year ended June 30:	
2024	\$ 52,735
2025	59,679
2026	4,760
2027	65,654
2028	-
Thereafter	-

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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	3.50% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost-of-living adjustments	None

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	30%	6.00%
International equity	21%	6.70%
Private equity	7%	9.50%
Domestic fixed income	23%	0.73%
Global real assets	19%	4.77%

Discount Rate

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

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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 Employer's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
Employer's proportionate share of net pension liability	<u>\$ 924,978</u>	<u>\$ 700,778</u>	<u>\$ 516,717</u>

Pension plan fiduciary net position

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

NOTE 11 — RELATED PARTY TRANSACTIONS

The Board of Directors are paid \$200 for board meetings plus mileage and expenses. The Board members are reimbursed for expenses related to national meetings the members attend. Total transactions between the board members and the Pharmacy for 2023 and 2022 were \$20,143 and \$17,883, respectively. In 2023 and 2022 there were \$-0-, respectively, in accounts payable due to board members.

NOTE 12 – CONTINGENCIES

The Board entered into an agreement with Bamboo Health on April 1, 2020 for the PMP AWARe License. The license is for software used for the Prescription Monitoring Program. The agreement is for 4 years and expires on March 30, 2025. Annual payments total \$168,420. There is also an additional \$150 per hour fee for all professional service work.

The Board entered into an agreement with Sharps Compliance, Inc. on June 30, 2017 for the MedSafe Program. The MedSafe program is designed to meet or exceed all requirements of the Drug Enforcement Administration regulations on disposal of controlled substances. This program includes a collection receptacle, inner liner, return transportation and proper disposal. The

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

agreement was for 3 years. It expired on June 30, 2020 and then went to renewing on an annual basis. As of June 30, 2023, the Board had 150 receptacles across North Dakota ranging in price of \$46 to \$116 per receptacle. Approximate annual payments for MedSafe in fiscal year 2023 and 2022 was \$91,686 and \$91,686, respectively.

Future minimum lease payments are as follows as of June 30:

	PMP Software	Sharps MedSafe	Total
2024	\$ 168,150	\$ -	\$ 168,150
2025	-	-	-
2026	-	-	-
	<u>\$ 168,150</u>	<u>\$ -</u>	<u>\$ 168,150</u>

NOTE 13 — 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. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Board pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence. No claims from these risks have exceeded insurance coverage in any of the past three years.

NOTE 14 – SUBSEQUENT EVENTS

The Board has evaluated subsequent events through July 18, 2024, the date, which the financial statements were available to be issued.

NORTH DAKOTA STATE BOARD OF PHARMACY

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NORTH DAKOTA STATE BOARD OF PHARMACY
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
ND PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

As of measurement date:	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2022	0.024332%	\$ 700,778	\$ 282,456	248.10%	54.47%
June 30, 2021	0.023984%	249,985	271,596	92.04%	78.26%
June 29, 2020	0.023673%	744,758	261,144	285.19%	48.91%
June 30, 2019	0.024140%	282,938	251,100	126.68%	71.66%
June 30, 2018	0.023503%	396,639	241,452	164.27%	62.80%
June 30, 2017	0.022110%	355,380	255,704	157.45%	61.98%
June 29, 2016	0.021678%	211,273	218,460	96.71%	70.46%

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

NORTH DAKOTA STATE BOARD OF PHARMACY
SCHEDULE OF EMPLOYER CONTRIBUTIONS – NET PENSION LIABILITY
ND PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

As of measurement date:	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employee's covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2022	\$ 21,274	\$ (21,722)	\$ (448)	\$ 282,456	7.69%
June 30, 2021	20,029	(17,726)	2,303	271,596	7.12%
June 29, 2020	18,491	(18,594)	(103)	261,144	7.12%
June 30, 2019	18,281	(17,878)	403	251,100	7.12%
June 30, 2018	17,784	(17,191)	593	241,452	7.12%
June 30, 2017	16,367	(16,070)	297	225,704	7.12%
June 29, 2016	15,816	(15,554)	262	218,460	7.12%

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

NORTH DAKOTA STATE BOARD OF PHARMACY
SCHEDULE OF EMPLOYER'S SHARE OF NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY
ND PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

As of measurement date:	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
June 30, 2022	0.027359%	\$ 32,839	\$ 282,456	11.63%	56.28%
June 30, 2021	0.024911%	13,855	271,596	5.10%	76.63%
June 29, 2020	0.022908%	19,270	261,144	7.38%	63.38%
June 30, 2019	0.022503%	18,074	251,100	7.20%	63.13%

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

NORTH DAKOTA STATE BOARD OF PHARMACY
SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFITS
ND PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

As of measurement date:	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employee's covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2022	\$ 3,438	\$ (3,478)	\$ (40)	\$ 282,456	1.23%
June 30, 2021	3,266	(2,838)	428	271,596	1.14%
June 29, 2020	3,068	(2,977)	91	261,144	1.14%
June 30, 2019	2,920	(2,862)	58	251,100	1.14%

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

NORTH DAKOTA STATE BOARD OF PHARMACY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

Pension

Changes of benefit terms

The interest rate earned on member contributions will decrease from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of assumptions

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

OPEB

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, 2019.

Changes of assumptions

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

NORTH DAKOTA STATE BOARD OF PHARMACY

SUPPLEMENTARY INFORMATION

June 30, 2023

NORTH DAKOTA STATE BOARD OF PHARMACY

**SCHEDULE OF REVENUES AND EXPENSES – COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES			
Grant revenue	\$ 87,000	\$ 87,000	\$ -
Internship fees	3,250	2,840	(410)
Miscellaneous fees and reimbursements	27,550	41,809	14,259
Pharmacist's licenses	167,000	164,575	(2,425)
Pharmacy permits	180,000	184,100	4,100
Technician registrations	23,000	22,833	(167)
Third party logistic permits	65,000	68,800	3,800
Veterinary licenses	5,125	6,405	1,280
Wholesale drug licenses	550,000	593,700	43,700
Total operating revenues	<u>1,107,925</u>	<u>1,172,062</u>	<u>64,137</u>
OPERATING EXPENSES			
Amortization expense	-	162,555	(162,555)
Compliance and investigation	55,000	33,416	21,584
Consulting	8,000	12,714	(4,714)
Contractual	152,000	-	152,000
Credit card fees and bank fees	40,250	53,722	(13,472)
Data base hosting fee	70,000	25,135	44,865
Depreciation	-	-	-
Dues and subscriptions	5,500	4,852	648
Education funding	19,500	9,500	10,000
Examinations	2,000	2,377	(377)
Executive assistant	-	13,043	(13,043)
Executive director salary	185,456	170,476	14,980
Health and life insurance	54,605	59,416	(4,811)
Legal and accounting	107,000	19,371	87,629
Miscellaneous	7,350	8,235	(885)
Newsletter	1,000	760	240
Office supplies and postage	11,500	8,207	3,293
Payroll taxes	20,993	25,696	(4,703)
PDMP salaries	53,182	49,247	3,935
Prescription Drug Monitoring Program	92,000	86,778	5,222
Printing	4,500	2,306	2,194
Rent	38,000	5,200	32,800
Repairs and maintenance	7,400	14,982	(7,582)
Retirement	45,500	124,988	(79,488)
Rule hearings and publications	2,500	-	2,500
Secretarial salaries	58,992	46,930	12,062
Telephone	5,000	3,994	1,006

NORTH DAKOTA STATE BOARD OF PHARMACY

**SCHEDULE OF REVENUES AND EXPENSES – COMPARED TO BUDGET - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Travel and meetings	76,500	55,262	21,238
Training	2,000	-	2,000
Vacation pay	<u>22,000</u>	<u>24,989</u>	<u>(2,989)</u>
Total operating expenses	<u>1,147,728</u>	<u>1,024,151</u>	<u>123,577</u>
Net operating revenues under expenses	(39,803)	147,911	187,714
NON-OPERATING REVENUES (EXPENSES)			
Interest income	3,100.00	17,567	14,467
Interest expense	<u>-</u>	<u>(12,713)</u>	<u>(12,713)</u>
	<u>3,100</u>	<u>4,854</u>	<u>1,754</u>
REVENUE UNDER EXPENSES	<u><u>\$ (36,703)</u></u>	<u><u>\$ 152,765</u></u>	<u><u>\$ 189,468</u></u>

NORTH DAKOTA STATE BOARD OF PHARMACY

NOTES TO SCHEDULE OF REVENUES AND EXPENSES – COMPARED TO BUDGET FOR THE YEAR ENDED JUNE 30, 2023

BUDGETARY REPORTING

The Board adopts an annual appropriated budget. All annual appropriations lapse at fiscal year-end. The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year. The operating budget includes proposed operating expenditures.
2. The Board of Directors in a board meeting formally adopts the final budget.
3. The Board's budgetary process is based upon accounting for license, permits, and fees revenue on a generally accepted accounting principles (GAAP) basis of accounting.

**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**

Independent Auditor's Report

To the Board of Directors
North Dakota State Board of Pharmacy
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, the financial statements of the business-type activities of North Dakota State Board of Pharmacy as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise North Dakota State Board of Pharmacy's basic financial statements, and have issued our report thereon dated July 18, 2024.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the

accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2023-001, 2023-002.

Report on Compliance and Other Matters

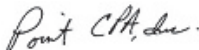
As part of obtaining reasonable assurance about whether North Dakota State Board of Pharmacy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

North Dakota State Board of Pharmacy's Response to Findings

North Dakota State Board of Pharmacy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. North Dakota State Board of Pharmacy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bismarck, North Dakota
July 18, 2024

NORTH DAKOTA STATE BOARD OF PHARMACY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal control over financial reporting

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weakness(es) Yes

Noncompliance material to financial statements noted? No

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING 2023-001 (SIGNIFICANT DEFICIENCY) – PREPARATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) FINANCIAL STATEMENTS

Condition

Point CPA assists management in preparing financial statements that are presented, including footnote disclosures, in conformity with generally accepted accounting principles of the United States. This is not unusual in organizations of your size, but we believe management should constantly be aware of this condition.

Criteria

Auditing standards state, as a matter of proper internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Effect

Proper internal controls are not in place to ensure that management is responsible and capable of preparing financial statements in conformity with generally accepted accounting principles. Lack of segregation of duties could provide an opportunity for misappropriation of funds and concealment of such activity.

Recommendation

The Executive Director should continue to review all financial statement groupings and schedules documenting the calculation of amounts included in the notes to the financial statements.

Response

The Board agrees with the finding and will allow the Executive Director to review all financial statement groupings and schedules documenting the calculation of amounts included in the notes to the financial statements.

NORTH DAKOTA STATE BOARD OF PHARMACY
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

FINDING 2023-002 (SIGNIFICANT DEFICIENCY) – SEGREGATION OF DUTIES

Condition

The limited number of accounting personnel prevents a proper segregation of duties necessary to ensure adequate internal control. This is not unusual in organizations of your size, but we believe management should constantly be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Criteria

Proper internal controls are that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Effect

Because of the lack of segregation of duties, adequate internal controls are not in place.

Recommendation

To reduce the risk created by the limited staff size, we recommend that the Board Members continue to remain involved in the financial affairs of the Board to provide oversight and independent review functions, which could include a review of activity in general ledger accounts and a summary of changes in net asset accounts.

Response

The Board agrees with the finding and agrees to reduce the risk created by the limited staff size, by involving the Board Members in the financial affairs of the Board to provide oversight and independent review functions, which could include a review of activity in general ledger accounts and a summary of changes in net asset accounts.