NORTH DAKOTA STATE ELECTRICAL BOARD
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

BradyMartz

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the North Dakota State Electrical Board, as of June 30, 2023 and 2022, and the respective changes in financial position for the years ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Dakota State Electrical Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the North Dakota State Electrical Board changed its method of accounting for leases in 2022 due to the adoption of GASB Statement No. 87, *Leases*, see note 8 to the financial statements. Our opinion is not modified with respect to this matter.

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 State Electrical 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 Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota State Electrical 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota State Electrical 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, budgetary comparison information, schedule of employer's share of net pension liability, schedule of employer's share of net OPEB liability, schedule of employer contributions – pension, schedule of employer contributions – OPEB and notes to required supplemental information, as listed in the table of contents be presented to supplement the basic financial statements. Such information 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2023 on our consideration of North Dakota State Electrical Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Dakota State Electrical Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota State Electrical Board's internal control over financial reporting and compliance.

Brady Martz

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

November 9, 2023

As management of the North Dakota State Electrical Board, we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal years ended June 30, 2023 and 2022.

Financial Highlights

- The net position of the Board as of June 30, 2023 and 2022 was $6,814,709 and $8,069,474, respectively.

- The Board's total net position decreased for the years ended June 30, 2023 and 2022 by $1,254,765 and $1,267,895, respectively.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

The following table presents condensed financial information on the Board's Net Position as of June 30, 2023, 2022 and 2021.

Net Position as of June 30, 2023, 2022 and 2021

	Governmental Activities 2023	Governmental Activities 2022	Governmental Activities 2021
Current and other assets	$ 10,327,061	$ 11,154,039	$ 12,458,973
Depreciable property and equipment, net	219,328	233,420	103,198
Lease asset, net	626,882	683,871	-
Total assets	11,173,271	12,071,330	12,562,171
Deferred outflow - pension	2,879,479	1,971,905	3,211,910
Deferred outflow - OPEB	92,409	46,165	55,472
Total deferred outflows of resources	2,971,888	2,018,070	3,267,382
Current liabilities	565,721	592,664	525,284
Long-term liabilities	4,968,874	2,264,193	5,192,906
Total liabilities	5,534,595	2,856,857	5,718,190
Deferred inflow - pension	1,784,896	3,127,537	767,667
Deferred inflow - OPEB	10,959	35,532	6,327
Total deferred inflows of resources	1,795,855	3,163,069	773,994
Net position:			
Net investment in capital and leased assets	202,721	225,216	103,198
Unrestricted	6,611,988	7,844,258	9,234,171
Total net position	$ 6,814,709	$ 8,069,474	$ 9,337,369

The following table presents condensed financial information on the Board's Changes in Net Position for the fiscal years ended June 30, 2023, 2022, and 2021.

	Governmental Activities 2023	Governmental Activities 2022	Governmental Activities 2021
Revenues:			
General revenues:			
Interest on investments	$ 58,129	$ 18,499	$ 37,340
Program revenues:			
Inspection fees	3,422,406	2,848,484	3,297,517
Other income	330,413	291,591	194,556
Total revenues	3,810,948	3,158,574	3,529,413
Expenses:			
Governmental Activities			
Regulatory program	5,065,713	4,426,469	5,045,183
Total expenses	5,065,713	4,426,469	5,045,183
Change in net position	(1,254,765)	(1,267,895)	(1,515,770)
Net position, beginning of year	8,069,474	9,337,369	10,853,139
Net position, end of year	$ 6,814,709	$ 8,069,474	$ 9,337,369

Inspections fees totaled $3,422,406, $2,848,484, and $3,297,517 for the years ended June 30, 2023, 2022 and 2021, respectively.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets and deferred outflows exceeded liabilities and deferred inflows for the years ended June 30, 2023 and 2022 by $6,814,709 and $8,069,474, respectively.

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

Financial Analysis of the Government's Funds

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

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

Capital Asset and Debt Administration

Capital Assets – The North Dakota State Electrical Board's investment in capital assets, net of related debt for its governmental type activities as of June 30, 2023 and 2022 amount to $219,328 and $233,420 (net of accumulated depreciation). This investment in capital assets includes intangible asset for software, furniture and equipment, and leasehold improvements. See note 3 for further details on capital assets.

Capital Assets (net of depreciation)

	Primary Government Governmental Activities		
	2023	2022	2021
Leasehold improvements	$ 201,186	$ 209,597	$ 77,904
Furniture and equipment	18,142	23,823	14,727
Intangible asset - software	-	-	10,567
	$ 219,328	$ 233,420	$ 103,198

Lease Asset

Lease Asset – The North Dakota State Electrical Board's investment in leased assets and related liability for the its governmental type activities as of June 30, 2023 and 2022 amount to $626,882 and $683,871 (net of accumulated amortization). The leased asset consists of office space. See note 8 for further details. Leased assets as of June 30, 2021 are not shown as GASB 87 was implemented during the year ended June 30, 2022.

Lease Assets (net of amortization)

	Primary Government Governmental Activities		
	2023	2022	2021
Office space	$ 626,882	$ 683,871	$ -

Economic Factors

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

Requests for Information

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

NORTH DAKOTA STATE ELECTRICAL BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,965,228	$ 6,792,248
Investments	4,322,500	4,320,000
Accounts receivable	22,073	38,308
Interest receivable	17,260	3,483
Total current assets	10,327,061	11,154,039
Noncurrent assets:		
Depreciable property and equipment, net	219,328	233,420
Lease asset, net	626,882	683,871
Total capital assets	846,210	917,291
Total assets	11,173,271	12,071,330
DEFERRED OUTFLOW OF RESOURCES		
Cost sharing defined benefit - pension	2,879,479	1,971,905
Cost sharing defined benefit - OPEB	92,409	46,165
Total deferred outflow of resources	2,971,888	2,018,070
LIABILITIES		
Current liabilities:		
Accounts payable	97,226	110,714
Payroll liabilities	51,686	40,612
Unearned revenue	222,460	223,018
Compensated absences due within one year	142,735	168,880
Interest payable	794	854
Lease liabilities - current	50,820	48,586
Total current liabilities	565,721	592,664
Non-current liabilities:		
Compensated absences due in more than one year	88,618	26,027
Net pension liability	4,120,972	1,506,635
Net OPEB liability	166,615	88,042
Lease liabilities - non-current	592,669	643,489
Total non-current liabilities	4,968,874	2,264,193
Total liabilities	5,534,595	2,856,857
DEFERRED INFLOW OF RESOURCES		
Cost sharing defined benefit - pension	1,784,896	3,127,537
Cost sharing defined benefit - OPEB	10,959	35,532
Total deferred inflow of resources	1,795,855	3,163,069
NET POSITION		
Net investment in capital and leased assets	202,721	225,216
Unrestricted	6,611,988	7,844,258
Total net position	$ 6,814,709	$ 8,069,474

See Notes to the Financial Statements

NORTH DAKOTA STATE ELECTRICAL BOARD
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

2023

Functions/Programs Governmental Activities:	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue
Regulatory program	$ 5,065,713	$ 3,752,819	$ (1,312,894)
General revenues:			
Unrestricted investment earnings			58,129
Total change in net position			(1,254,765)
Net position, beginning of year			8,069,474
Net position, end of year			$ 6,814,709

2022

Functions/Programs Governmental Activities:	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue
Regulatory program	$ 4,426,469	$ 3,140,075	$ (1,286,394)
General revenues:			
Unrestricted investment earnings			18,499
Total change in net position			(1,267,895)
Net position, beginning of year, as previously stated			9,337,369
Net position, end of year			$ 8,069,474

See Notes to the Financial Statements

NORTH DAKOTA STATE ELECTRICAL BOARD
BALANCE SHEETS - GOVERNMENTAL FUND / GENERAL FUND
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,965,228	$ 6,792,248
Investments	4,322,500	4,320,000
Accounts receivable	22,073	38,308
Interest receivable	17,260	3,483
Total assets	$ 10,327,061	$ 11,154,039
LIABILITIES		
Accounts payable	$ 97,226	$ 110,714
Payroll liabilities	51,686	40,612
Unearned revenue	222,460	223,018
Total liabilities	371,372	374,344
FUND BALANCES		
Unassigned	9,955,689	10,779,695
Total fund balance	9,955,689	10,779,695
Total liabilities and fund balance	$ 10,327,061	$ 11,154,039

Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2023 and 2022

	2023	2022
Total fund balance	$ 9,955,689	$ 10,779,695
Capital assets used in governmental activities	219,328	233,420
Lease asset used in governmental activities	626,882	683,871
Cost sharing defined benefit - pension	2,879,479	1,971,905
Cost sharing defined benefit - OPEB	92,409	46,165
Liability for compensated absences	(231,353)	(194,907)
Liability for net pension	(4,120,972)	(1,506,635)
Liability for net OPEB	(166,615)	(88,042)
Lease liabilities - current	(50,820)	(48,586)
Lease liabilities - non-current	(592,669)	(643,489)
Accrued interest	(794)	(854)
Cost sharing defined benefit - pension	(1,784,896)	(3,127,537)
Cost sharing defined benefit - OPEB	(10,959)	(35,532)
Net position of governmental activities	$ 6,814,709	$ 8,069,474

NORTH DAKOTA STATE ELECTRICAL BOARD
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUND / GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Revenues:		
Inspection fees	$ 3,422,406	$ 2,848,484
Master examinations	8,550	8,350
Master license	86,533	84,313
Journeyman examinations	12,150	9,390
Journeyman license	86,963	81,766
Class B examination	-	40
Class B license	653	633
Apprentice registrations	25,393	22,238
Reinstatements	26,360	22,880
PLE Licenses	427	497
Administration and late fees	42,536	31,221
Continuing education and seminars	37,068	29,512
Interest income	58,129	18,499
Miscellaneous	3,779	751
Total revenues	3,810,947	3,158,574
Expenditures:		
Salaries and benefits	2,903,606	2,615,297
Operating expenses	1,721,679	1,715,702
Equipment	9,668	154,271
Total expenditures	4,634,953	4,485,270
Revenues over (under) expenditures	(824,006)	(1,326,696)
Net change in fund balance	(824,006)	(1,326,696)
Fund balance - July 1	10,779,695	12,106,391
Fund balance - June 30	$ 9,955,689	$ 10,779,695

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities
For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Net changes in fund balance	$ (824,006)	$ (1,326,696)
Depreciation expense	(23,760)	(24,049)
Amortization expense	(56,989)	(56,989)
Interest expense	(9,854)	(10,568)
Capital outlay	9,668	154,271
Lease liability payments	58,500	58,695
Increase (decrease) in deferred outflows	953,818	(1,249,312)
Decrease (increase) in compensated absences liability	(36,446)	13,030
Decrease (increase) in net pension liability	(2,614,337)	3,516,869
Decrease (increase) in net OPEB liability	(78,573)	45,929
Decrease (increase) in deferred inflows	1,367,214	(2,389,075)
Change in net position of governmental activities	$ (1,254,765)	$ (1,267,895)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

Net investment in capital and lease assets consists of capital assets, net of accumulated depreciation and leased assets, net of accumulated amortization, net of any related long-term liability associated with the assets.

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

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

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

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

Fund Accounting Structure

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

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

Basis for Accounting

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

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

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivables

Accounts receivable consist of inspections fees to be collected for jobs completed as of year-end. No allowance for doubtful accounts is recorded for the years ended June 30, 2023 and 2022, as management considers all accounts to be collectible.

Capital Assets

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

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

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

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

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

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The Board has two items that qualifies for reporting in this category named *cost sharing defined benefit – pension* and *cost sharing defined benefit – OPEB*, which represents actuarial differences within NDPERS pension and OPEB plans as well as amounts paid to the plans after the measurement date. See note 5 and note 7 for further details.

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

Compensated Absences

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

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

Pensions

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

Other Post Employment Benefits (OPEB)

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

Leases

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

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

The Board continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Board is reasonably certain to exercise. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

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

Implementation of New Accounting Principles

The Board implemented GASB Statement No. 87, Leases, during the year ended June 30, 2022. GASB Statement No. 87 establishes a single model for lease accounting based on the foundation principal that leases are financings of the right to use an underlying asset.

The adoption of GASB 87 resulted in the recognition of a right to use leased asset and lease liability of $740,860 as of July 1, 2021. Results for periods prior to June 30, 2021 continue to be reported in accordance with the Board's historical accounting treatment. See note 8 for expanded disclosures regarding the Board's leases.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS

Custodial Credit Risk – Deposits

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

North Dakota State Electrical Board maintains interest bearing cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to $250,000 per financial institution. At June 30, 2023 and 2022, the Board had $5,959,407 and $6,874,330, respectively, of deposits that were exposed to custodial credit risk. These deposits were backed by the full faith and credit of the State of North Dakota.

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

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	7/1/22	Additions	Deletions	6/30/23
Capital assets being depreciated:				
Intangible asset - software	$ 106,100	$ -	$ -	$ 106,100
Furniture and equipment	81,005	-	-	81,005
Leasehold improvements	270,384	9,668	-	280,052
	457,489	9,668	-	467,157
Less accumulated depreciation for:				
Intangible asset - software	106,100	-	-	106,100
Furniture and equipment	57,182	5,681	-	62,863
Leasehold improvements	60,787	18,079	-	78,866
	224,069	23,760	-	247,829
Net investment in capital assets	$ 233,420	$ (14,092)	$ -	$ 219,328

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	7/1/21	Additions	Deletions	6/30/22
Capital assets being depreciated:				
Intangible asset - software	$ 106,100	$ -	$ -	$ 106,100
Furniture and equipment	67,830	13,175	-	81,005
Leasehold improvements	129,288	141,096	-	270,384
	303,218	154,271	-	457,489
Less accumulated depreciation for:				
Intangible asset - software	95,533	10,567	-	106,100
Furniture and equipment	53,103	4,079	-	57,182
Leasehold improvements	51,384	9,403	-	60,787
	200,020	24,049	-	224,069
Net investment in capital assets	$ 103,198	$ 130,222	$ -	$ 233,420

NOTE 4 ACCRUED COMPENSATED ABSENCES

A summary of changes in accrued compensated absences for the year ended June 30, 2023 is as follows:

	Balance 7/1/22	Additions	Reductions	Balance 06/30/23	Due Within One Year
Compensated absences	$ 194,907	$ 228,359	$ (191,913)	$ 231,353	$ 142,735

A summary of changes in accrued compensated absences for the year ended June 30, 2022 is as follows:

	Balance 7/1/21	Additions	Reductions	Balance 06/30/22	Due Within One Year
Compensated absences	$ 207,937	$ 144,434	$ (157,465)	$ 194,907	$ 168,880

NOTE 5 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024.

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 and 2022, the Employer reported a liability of $4,120,972 and $1,506,635 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2023, the Employer's proportion was 0.143086% percent, which was a decrease of 0.001463% from its proportion measured as of June 30, 2022. At June 30, 2022, the Employer's proportion was 0.144549% percent, which was a decrease of 0.015129% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized pension expense of $512,324. 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	$ 21,496	$ (78,718)
Changes of assumptions	2,464,402	(1,527,793)
Net difference between projected and actual earnings on pension plan investments	150,827	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,552	(178,386)
Employer contributions subsequent to the measurement date	148,202	-
Total	$ 2,879,479	$ (1,784,896)

$148,202 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 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	$ 280,906
2025	318,705
2026	(31,080)
2027	377,849

For the year ended June 30, 2022, the Employer recognized pension expense of $211,022. At June 30, 2022, 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	$ 26,012	$ (153,773)
Changes of assumptions	1,667,552	(2,174,140)
Net difference between projected and actual earnings on pension plan investments	-	(558,787)
Changes in proportion and differences between employer contributions and proportionate share of contributions	150,325	(240,837)
Employer contributions subsequent to the measurement date	128,016	-
Total	$ 1,971,905	$ (3,127,537)

$128,016 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

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:	
2023	$ (196,610)
2024	(270,190)
2025	(231,864)
2026	(584,984)

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuations were determined using the following 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%	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 PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

For the purpose of 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 2023 schedule 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:

June 30, 2023

	1% Decrease 4.10%	Current Discount Rate 5.10%	1% Increase 6.10%
Employer's proportionate share of the net pension liability	$ 5,439,400	$ 4,120,972	$ 3,038,589

The following 2022 schedule presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

June 30, 2022

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's proportionate share of the net pension liability	$ 2,396,056	$ 1,506,635	$ 766,052

Pension Plan Fiduciary Net Position

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

NOTE 6 NORTH DAKOTA DEFINED CONTRIBUTION RETIREMENT PLAN

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

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

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

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

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

Contributions are set by state statute and are a percentage of salaries and wages. Employee contributions are 7% and employer contributions are established at 7.12%. The Board paid for 4% of the employee contribution percentage during the fiscal years ended June 30, 2023 and 2022. Employer required contributions totaled $13,447 and $12,755 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 OTHER POST EMPLOYMENT BENEFITS

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

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

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

OPEB Benefits

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

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

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

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

At June 30, 2023 and 2022, the Employer reported an OPEB liability of $166,615 and $88,042 for its proportionate share of the net OPEB liability, respectively. The net OPEB liability was measured as of June 30, 2022 and 2021, 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, 2023, the Employer's proportion was 0.138810%, which was a decrease of 0.019490% from its proportion measured as of June 30, 2022. At June 30, 2022, the Employer's proportion was 0.158300%, which was a decrease of 0.000962% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized OPEB expense of $26,878. 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	$ 3,950	$ (1,433)
Changes of assumptions	41,968	-
Net difference between projected and actual earnings on OPEB plan investments	22,434	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,404	(9,526)
Employer contributions subsequent to the measurement date	18,653	-
Total	$ 92,409	$ (10,959)

$18,653 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

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

Year ending June 30:	
2024	$ 16,616
2025	15,468
2026	13,421
2027	17,292

For the year ended June 30, 2022, the Employer recognized OPEB expense of $12,755. At June 30, 2022, 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	$ 5,056	$ (2,413)
Changes of assumptions	13,634	-
Net difference between projected and actual earnings on OPEB plan investments	-	(30,165)
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,303	(2,954)
Employer contributions subsequent to the measurement date	20,172	-
Total	$ 46,165	$ (35,532)

$20,172 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

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

Year ended June 30:	
2023	$ (1,097)
2024	(1,314)
2025	(2,627)
2026	(4,970)
2027	469

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	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 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad US Equities	39%	5.75%
International Equities	26%	6.00%
Core-Plus Fixed Income	35%	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 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:

June 30, 2023

	1% Decrease 4.39%	Current Discount Rate 5.39%	1% Increase 6.39%
Employer's proportionate share of the net OPEB liability	$ 212,674	$ 166,615	$ 127,950

The following present the Employer's proportionate share of the net OPEB liability calculated as of June 30, 2021 using the discount rate of 6.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50 percent) or 1 percentage point higher (7.50 percent) than the current rate:

June 30, 2022

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net OPEB liability	$ 130,578	$ 88,042	$ 52,051

NOTE 8 LEASES

The Board leases office space under operating lease through June 30, 2034.

The following is the total lease expense for the year ended June 30, 2023:

Lease expense	
Amortization expense by class of underlying asset	
Office Space	$ 56,989
Total amortization expense	56,989
Interest on lease liabilities	9,854
Total	$ 66,843

The following is the total lease expense for the year ended June 30, 2022:

Lease expense	
Amortization expense by class of underlying asset	
Office space	$ 56,989
Total amortization expense	56,989
Interest on lease liabilities	10,568
Total	$ 67,557

The following is a schedule of activity in leased asset and lease liability for the year ended June 30, 2023:

Lease Assets	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Within One Year
Office Space	$ 740,860	$ -	$ -	$ -	$ 740,860	
Less: Accumulated Amortization						
Office Space	(56,989)	(56,989)	-	-	(113,978)	
Total Lease Assets, net	$ 683,871	$ (56,989)	$ -	$ -	$ 626,882	
Lease Liabilities	$ 692,075	$ -	$ -	$ (48,586)	$ 643,489	$ 50,820

The following is a schedule of activity in leased asset and lease liability for the year ended June 30, 2022:

	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Within One Year
Lease Assets						
Office space	$ 740,860	$ -	$ -	$ -	$ 740,860	
Less: Accumulated Amortization						
Office space	-	(56,989)	-	-	(56,989)	
Total Lease Assets, net	$ 740,860	$ (56,989)	$ -	$ -	$ 683,871	
Lease Liabilities	$ 740,860	$ -	$ -	$ (48,785)	$ 692,075	$ 48,586

The following is a schedule by years of future minimum rental payments required under the lease:

	Principal	Interest	Total Payments
Maturity Analysis			
Year Ending June 30, 2024	$ 50,820	$ 9,180	$ 60,000
Year Ending June 30, 2025	51,577	8,423	60,000
Year Ending June 30, 2026	53,856	7,644	61,500
Year Ending June 30, 2027	54,659	6,841	61,500
Year Ending June 30, 2028	56,983	6,017	63,000
Thereafter	375,594	17,406	393,000
Total Future Payments	$ 643,489	$ 55,511	$ 699,000

NOTE 9 RISK MANAGEMENT

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

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

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

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

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

NOTE 10 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 11 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Board's year end. Subsequent events have been evaluated through November 9, 2023, which is the date these financial statements were available to be issued.

NORTH DAKOTA STATE ELECTRICAL BOARD
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted, Original and Final	Actual	Variance with Budget
Revenues:			
Inspection fees	$ 3,639,000	$ 3,422,406	$ (216,594)
Master examinations	8,000	8,550	550
Master license	50,000	86,533	36,533
Journeyman examinations	12,000	12,150	150
Journeyman license	91,000	86,963	(4,037)
Class B examination	100	-	(100)
Class B license	400	653	253
Apprentice registrations	30,000	25,393	(4,607)
Reinstatements	6,000	26,360	20,360
PLE license	5,000	427	(4,573)
Administration and late fees	25,000	42,536	17,536
Continuing education and seminars	38,000	37,068	(932)
Interest income	18,500	58,129	39,629
Miscellaneous	2,500	3,779	1,279
Total revenues	3,925,500	3,810,947	(114,553)
Expenditures:			
Salaries and benefits	2,124,500	2,903,606	(779,106)
Operating expenses	1,771,000	1,721,679	49,321
Equipment	30,000	9,668	20,332
Total expenditures	3,925,500	4,634,953	(709,453)
Revenues over expenditures	$ -	(824,006)	$ (824,006)
Fund balance - July 1		10,779,695	
Fund balance - June 30		$ 9,955,689	

See Notes to Required Supplementary Information

NORTH DAKOTA STATE ELECTRICAL BOARD
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted, Original and Final	Actual	Variance with Budget
Revenues:			
Inspection fees	$ 3,746,300	$ 2,848,484	$ (897,816)
Master examinations	8,000	8,350	350
Master license	50,000	84,313	34,313
Journeyman examinations	12,000	9,390	(2,610)
Journeyman license	91,000	81,766	(9,234)
Class B examination	100	40	(60)
Class B license	400	633	233
Apprentice registrations	30,000	22,238	(7,762)
Reinstatements	9,000	22,880	13,880
PLE license	9,000	497	(8,503)
Administration and late fees	20,000	31,221	11,221
Continuing education and seminars	32,000	29,512	(2,488)
Interest income	20,000	18,499	(1,501)
Miscellaneous	5,000	751	(4,249)
Total revenues	4,032,800	3,158,574	(874,226)
Expenditures:			
Salaries and benefits	2,257,500	2,615,297	(357,797)
Operating expenses	1,872,300	1,715,702	156,598
Equipment	172,000	154,271	17,729
Total expenditures	4,301,800	4,485,270	(183,470)
Revenues over expenditures	$ (269,000)	(1,326,696)	$ (690,756)
Fund balance - July 1		12,106,391	
Fund balance - June 30		$ 10,779,695	

See Notes to Required Supplementary Information

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.14309%	$ 4,120,972	$ 1,769,326	232.91%	54.47%
2022	0.14455%	1,506,635	1,684,716	89.43%	78.26%
2021	0.15968%	5,023,504	1,699,228	295.63%	48.91%
2020	0.14509%	1,700,583	1,509,200	112.68%	71.66%
2019	0.13677%	2,308,109	1,466,517	157.39%	62.80%
2018	0.14106%	2,267,265	1,586,936	142.87%	61.98%
2017	0.16460%	1,604,178	1,658,769	96.71%	70.46%
2016	0.15393%	1,046,718	1,371,360	76.33%	77.15%
2015	0.13365%	848,305	1,125,847	75.35%	72.12%

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

See Notes to Required Supplementary Information

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

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	0.138810%	$ 166,615	$ 1,769,522	9.42%	56.28%
2022	0.158300%	88,042	1,856,940	4.74%	76.63%
2021	0.159262%	133,971	1,856,476	7.22%	63.38%
2020	0.149044%	119,710	1,663,120	7.20%	63.13%
2019	0.142188%	111,983	1,577,524	7.10%	61.89%
2018	0.146246%	115,682	1,582,152	7.31%	59.78%

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

See Notes to Required Supplementary Information

NORTH DAKOTA STATE ELECTRICAL BOARD
SCHEDULES OF EMPLOYER'S CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	$ 148,202	$ (148,202)	$ -	$ 1,993,968	7.43%
2022	128,016	(128,016)	-	1,769,326	7.24%
2021	120,398	(120,398)	-	1,684,716	7.15%
2020	120,985	(120,985)	-	1,699,228	7.12%
2019	107,455	(107,455)	-	1,509,200	7.12%
2018	101,583	(101,583)	-	1,466,517	6.93%
2017	112,990	(112,990)	-	1,586,936	7.12%
2016	120,092	(115,615)	4,477	1,658,769	6.97%
2015	104,165	(97,227)	6,938	1,371,360	7.09%

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

NORTH DAKOTA STATE ELECTRICAL BOARD
SCHEDULES OF EMPLOYER'S CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	$ 18,653	$ (18,653)	$ -	$ 1,636,232	1.14%
2022	20,172	(20,172)	-	1,769,522	1.14%
2021	20,723	(20,723)	-	1,856,940	1.12%
2020	21,164	(21,164)	-	1,856,476	1.14%
2019	18,960	(18,960)	-	1,663,120	1.14%
2018	17,984	(17,984)	-	1,577,524	1.14%

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

See Notes to Required Supplementary Information

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the years ended June 30, 2023 and 2022 expenditures exceeded appropriations in the general fund by $709,453 and $183,470, respectively.

NOTE 3 CHANGES OF BENEFIT TERMS

NDPERS Retirement System Pension

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.

NDPERS Retirement System OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

NOTE 4 CHANGES OF ASSUMPTIONS

NDPERS Retirement System Pension

The investment return assumption was updated from 7.00% to 6.50% 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, 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.

NDPERS Retirement System OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2022 valuation:

- The investment return assumption was lowered from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

NORTH DAKOTA STATE ELECTRICAL BOARD
DETAILED STATEMENTS OF REVENUES AND EXPENDITURES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES:		
Inspection fees	$ 3,422,406	$ 2,848,484
Master examinations	8,550	8,350
Master license	86,533	84,313
Journeyman examinations	12,150	9,390
Journeyman license	86,963	81,766
Class B examination	-	40
Class B license	653	633
Apprentice registrations	25,393	22,238
Reinstatements	26,360	22,880
PLE license	427	497
Administration and late fees	42,536	31,221
Continuing education and seminars	37,068	29,512
Interest income	58,129	18,499
Miscellaneous	3,779	751
Total revenues	3,810,947	3,158,574
EXPENDITURES:		
Salaries - inspectors	1,448,413	1,254,238
Salaries - office	782,677	763,489
Inspection fees to cities	689,390	733,727
Travel - fleet vehicles	248,226	193,901
Travel - employees	57,835	46,582
Travel - board members	5,379	4,785
Per diem	13,800	13,500
Payroll taxes	165,067	148,587
Group insurance	329,298	290,463
Pension expense	267,615	238,883
Pension buyout	75,603	68,224
Office remodel	9,668	141,096
Office rent	58,625	59,013
Apartment/house rent	1,929	11,652
Postage	24,607	23,233
Printing	14,017	16,569
Telephone	23,609	22,658
Professional fees	94,228	93,290
Supplies	8,378	8,730
Insurance	3,510	3,020
Small equipment	15,291	27,561
Maintenance agreements and repairs	1,458	2,176
Code books and publications	15,291	3,266
Continuing education	3,070	8,414
Education seminars	33,952	22,576
Administrative fees	2,404	2,877
Scholarships	212,575	253,000
Dues & subscriptions	7,528	6,492
Miscellaneous	21,510	23,268
Total expenditures	4,634,953	4,485,270
Revenues over expenditures	$ (824,006)	$ (1,326,696)

BradyMartz

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the North Dakota State Electrical Board, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise North Dakota State Electrical Board's basic financial statements and have issued our report thereon dated November 9, 2023.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as item 2023-002 to be a significant deficiency.

Compliance and Other Matters

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

North Dakota State Electrical Board's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. North Dakota State Electrical Board's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Brady Martz

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

November 9, 2023

2023-001 Material Weakness: Journal Entries

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions
Due to the financial, efficiency and time constraints, it has been determined by the Board and the management of the North Dakota State Electrical Board that it is in the best interest of Board, the North Dakota State Electrical Board and all interested parties to have adjustments proposed by the auditing firm in order for the general ledger accounts to be reflected on a GAAP basis.

2023-002 Significant Deficiency: Preparation of Financial Statements

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

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

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

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

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

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