

**NORTH DAKOTA STATE PLUMBING BOARD
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the North Dakota State Plumbing 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 Plumbing 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 North Dakota State Plumbing Board, as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows 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 Plumbing 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.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2024 on our consideration of North Dakota State Plumbing Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Dakota State Plumbing Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota State Plumbing Board's internal control over financial reporting and compliance.



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

January 11, 2024

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

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 205,017	\$ 225,589
Investments - certificates of deposit	200,000	200,000
Grant receivable	6,417	5,434
Inventory	2,028	5,445
Total current assets	<u>413,462</u>	<u>436,468</u>
Capital assets:		
Intangible asset - software	321,238	278,381
Automobiles	93,253	93,253
Furniture and equipment	30,156	30,156
Less accumulated depreciation	<u>(236,155)</u>	<u>(170,153)</u>
Total capital assets	<u>208,492</u>	<u>231,637</u>
Other assets:		
Security deposit - rent	<u>770</u>	<u>770</u>
Total assets	<u>622,724</u>	<u>668,875</u>
DEFERRED OUTFLOW OF RESOURCES		
Cost sharing defined benefit plan - pension	704,108	456,114
Cost sharing defined benefit plan - OPEB	<u>27,531</u>	<u>10,557</u>
Total deferred outflow of resources	<u>731,639</u>	<u>466,671</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	21,696	22,102
Accrued compensated absences	28,978	31,966
Unearned revenue	424,463	366,385
Total current liabilities	<u>475,137</u>	<u>420,453</u>
Non-current liabilities:		
Accrued compensated absences	2,134	1,938
Net pension liability	1,050,562	378,407
Net other post retirement benefit liability	49,231	20,973
Total non-current liabilities	<u>1,101,927</u>	<u>401,318</u>
Total liabilities	<u>1,577,064</u>	<u>821,771</u>
DEFERRED INFLOW OF RESOURCES		
Cost sharing defined benefit plan - pension	416,381	735,378
Cost sharing defined benefit plan - OPEB	<u>636</u>	<u>8,056</u>
Total deferred inflow of resources	<u>417,017</u>	<u>743,434</u>
NET POSITION		
Net investment in capital assets	208,492	231,637
Unrestricted	<u>(848,210)</u>	<u>(661,296)</u>
Total net position	<u>\$ (639,718)</u>	<u>\$ (429,659)</u>

See Notes to the Financial Statements

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

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Licenses		
Master - new & renewal	\$ 129,590	\$ 113,888
Journeyman - new & renewal	67,500	62,825
Apprentice - new & renewal	28,223	27,413
Water conditioner contractor/installer	680	790
Water & sewer contractor/installer/apprentice	42,450	41,950
Plumbing certificates	374,160	463,930
Plumbing code books and study guides	16,034	28,959
North Dakota Department of Health - grant	21,245	20,937
Continuing education	1,680	33,340
Miscellaneous	15,809	13,104
Total operating revenues	<u>697,371</u>	<u>807,136</u>
OPERATING EXPENSES		
Salaries	434,026	432,707
Payroll taxes	33,184	41,117
Employee benefits	267,480	185,304
Rent	11,550	10,908
Telephone	3,726	3,912
IT support	11,191	4,830
Office supplies, printing, and postage	11,280	13,114
Code books and study guides	12,522	18,728
Insurance	1,181	1,198
Auto, travel, and board expenses	40,584	36,398
Equipment	885	1,992
Contract labor	14,125	10,600
Continuing education	525	5,448
Legal and audit	727	13,636
Miscellaneous	367	2,116
Depreciation expense	66,002	31,536
Total operating expenses	<u>909,355</u>	<u>813,544</u>
Operating income	<u>(211,984)</u>	<u>(6,408)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,925	3,328
Gain (loss) on disposal of fixed assets	-	(866)
Total non-operating revenues	<u>1,925</u>	<u>2,462</u>
Change in net position	(210,059)	(3,946)
Net position - beginning of year	<u>(429,659)</u>	<u>(425,713)</u>
Net position - end of year	<u>\$ (639,718)</u>	<u>\$ (429,659)</u>

See Notes to the Financial Statements

NORTH DAKOTA STATE PLUMBING BOARD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from licenses and certificates	\$ 700,681	\$ 660,016
Cash received from grants	20,262	18,971
Cash received from other operating activities	33,523	75,403
Cash payments to suppliers for goods and services	(138,836)	(158,738)
Cash payments to employees for services	<u>(595,270)</u>	<u>(584,389)</u>
Net cash provided (used) by operating activities	<u>20,360</u>	<u>11,263</u>
Cash flows from capital and related financing activities:		
Purchase of automobile	-	(21,000)
Purchase of furniture and equipment	-	(2,945)
Additions to intangible asset - software	<u>(42,857)</u>	<u>(188,536)</u>
Net cash provided (used) by capital and related financing activities	<u>(42,857)</u>	<u>(212,481)</u>
Cash flows from investing activities:		
Proceeds from maturities/sale of investments	-	105,870
Interest collected	<u>1,925</u>	<u>3,328</u>
Net cash provided (used) by investing activities	<u>1,925</u>	<u>109,198</u>
Net change in cash and cash equivalents	(20,572)	(92,020)
Cash and cash equivalents - beginning of year	<u>225,589</u>	<u>317,609</u>
Cash and cash equivalents - end of year	<u><u>\$ 205,017</u></u>	<u><u>\$ 225,589</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (211,984)	\$ (6,408)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	66,002	31,536
Effects on cash flows due to changes in:		
Accounts receivable	-	330
Grants receivable	(983)	(1,966)
Inventory	3,417	1,633
Accounts payable and accrued expenses	(406)	3,626
Accrued compensated absences	(2,792)	4,269
Unearned revenue	58,078	(51,110)
Net pension liability	672,155	(765,455)
Net OPEB liability	28,258	(8,624)
Deferred inflow / outflow - pension & OPEB	<u>(591,385)</u>	<u>803,432</u>
Net cash provided (used) by operating activities	<u><u>\$ 20,360</u></u>	<u><u>\$ 11,263</u></u>
Supplemental non-cash disclosure:		
Equipment acquired through trade	<u><u>\$ -</u></u>	<u><u>\$ 3,729</u></u>

See Notes to the Financial Statements

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principle Activity

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

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

The financial statements of the North Dakota State Plumbing Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. These financial statements represent the financial position, results of operations and cash flows for the Board for the fiscal years ended June 30, 2023 and 2022. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Reporting Entity

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

Basis for Accounting

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

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

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

The Board reports the following major proprietary fund:

Operating Fund

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

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

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

Budget

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivables

Accounts receivable consist of license fees to be collected as of year-end. No allowance for doubtful accounts is recorded for the years ended June 30, 2023 and 2022.

Inventory

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

Capital Assets

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

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The Board has two items that qualify for reporting in this category named *cost sharing defined benefit – pension* and *cost sharing defined benefit – OPEB*, which represents actuarial differences within NDPERS pension and OPEB plans as well as amounts paid to the plans after the measurement date. See note 6 and note 7 for further details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board has 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 NDPERS OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See note 6 and note 7 for further details.

Unearned Revenue

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

Accrued Compensated Absences

The Board follows the state policy, which permits employees to accumulate a limited amount of earned, but unused annual and sick leave benefits which will be paid to employees upon separation of employment from the Board or state. Employees vest in sick leave at ten years of service at which time the Board is liable for ten percent of the employee's accumulated unused sick leave.

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

Net Position

The Statement of Net Position presents the reporting entity's assets and liabilities, with the difference reported as net position. The net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net position consists of funds received that are restricted for a specific purpose. The Board has no restrictions.

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Use of Estimates

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

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2023 and 2022, the Board's cash, cash equivalents, and investments consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents:		
Checking accounts	\$ 27,065	\$ 19,587
Savings accounts	177,952	206,002
Investments:		
Certificates of deposit	<u>200,000</u>	<u>200,000</u>
Totals	<u>\$ 405,017</u>	<u>\$ 425,589</u>

At June 30, 2023, the interest rates earned on those monies ranged between 4.55% to 5.00%. At June 30, 2022, the interest rates earned on those monies ranged between 0.40% to 0.45%.

Custodial Credit Risk – Deposits

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

North Dakota State Plumbing Board maintains interest bearing cash on deposit at various financial institutions. The amounts on deposit were insured by the National Credit Union Administration (NCUA) or FDIC up to \$250,000 per financial institution. The Board had \$7,222 of deposits in excess of NCUA/FDIC coverage at June 30, 2022, which were covered by letters of credit. At June 30, 2023, the Board did not have any deposits in excess of NCUA/FDIC coverage.

State statute requires the market value of collateral pledged must equal 110% of the deposits not covered by insurance or pledged securities. During the years ended June 30, 2023 and 2022, the Board had collateral pledged in excess of the 110% of the deposits not covered by insurance as required by state statute.

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 3 CAPITAL ASSETS

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

	<u>7/1/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/23</u>
Capital assets being depreciated:				
Intangible asset - software	\$ 278,381	\$ 42,857	\$ -	\$ 321,238
Furniture and equipment	30,156	-	-	30,156
Automobiles	93,253	-	-	93,253
	<u>401,790</u>	<u>42,857</u>	<u>-</u>	<u>444,647</u>
Less accumulated depreciation for:				
Intangible asset - software	(99,272)	(44,850)	-	(144,122)
Furniture and equipment	(22,733)	(2,769)	-	(25,502)
Automobiles	(48,148)	(18,383)	-	(66,531)
	<u>(170,153)</u>	<u>(66,002)</u>	<u>-</u>	<u>(236,155)</u>
Net investment in capital assets	<u>\$ 231,637</u>	<u>\$ (23,145)</u>	<u>\$ -</u>	<u>\$ 208,492</u>

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

	<u>7/1/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/22</u>
Capital assets being depreciated:				
Intangible asset - software	\$ 89,845	\$ 188,536	\$ -	\$ 278,381
Furniture and equipment	30,620	2,945	(3,409)	30,156
Automobiles	83,522	24,729	(14,998)	93,253
	<u>203,987</u>	<u>216,210</u>	<u>(18,407)</u>	<u>401,790</u>
Less accumulated depreciation for:				
Intangible asset - software	(89,412)	(9,860)	-	(99,272)
Furniture and equipment	(21,932)	(2,864)	2,063	(22,733)
Automobiles	(41,085)	(18,812)	11,749	(48,148)
	<u>(152,429)</u>	<u>(31,536)</u>	<u>13,812</u>	<u>(170,153)</u>
Net investment in capital assets	<u>\$ 51,558</u>	<u>\$ 184,674</u>	<u>\$ (4,595)</u>	<u>\$ 231,637</u>

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

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 6/30/23	Due Within One Year
Compensated absences	\$ 33,904	\$ 32,986	\$ (35,778)	\$ 31,112	\$ 28,978

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 6/30/22	Due Within One Year
Compensated absences	\$ 29,635	\$ 34,715	\$ (30,446)	\$ 33,904	\$ 31,966

NOTE 5 RISK MANAGEMENT

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

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

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

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

NOTE 6 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

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.

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Employer contributions 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 \$1,050,562 and \$378,407 for its proportionate share of the net pension liability. 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 determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the Employer's proportion was 0.036477 percent, which was an increase of 0.000172 from its proportion measured at June 30, 2021. At June 30, 2021, the Employer's proportion was 0.036305 percent, which was a decrease of 0.000285 from its proportion measured at June 30, 2020.

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

For the year ended June 30, 2023, the Employer recognized pension expense of \$135,916. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,480	\$ (20,068)
Changes of assumptions	628,251	(389,481)
Net difference between projected and actual earnings on pension plan investments	38,451	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,174	(6,832)
Employer contributions subsequent to the measurement date	<u>30,752</u>	<u>-</u>
Total	<u>\$ 704,108</u>	<u>\$ (416,381)</u>

\$30,752 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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	\$ 70,965
2025	84,594
2026	4,120
2027	97,296

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

For the year ended June 30, 2022, the Employer recognized pension expense of \$61,384. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,533	\$ (38,622)
Changes of assumptions	418,823	(546,058)
Net difference between projected and actual earnings on pension plan investments	-	(140,345)
Changes in proportion and differences between employer contributions and proportionate share of contributions	609	(10,353)
Employer contributions subsequent to the measurement date	<u>30,149</u>	<u>-</u>
Total	<u>\$ 456,114</u>	<u>\$ (735,378)</u>

\$30,149 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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	\$ (45,849)
2024	(70,206)
2025	(56,638)
2026	(136,720)

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	3.50% to 17.75%, including inflation
Investment rate of return	5.10%, net of investment expenses
Cost-of-living adjustments	None

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

The 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%
Global 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.

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

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

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

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

The following 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:

	1% Decrease 4.10%	Current Discount Rate 5.10%	1% Increase 6.10%
Employer's proportionate share of the net pension liability	<u>\$ 1,386,669</u>	<u>\$ 1,050,562</u>	<u>\$ 774,629</u>

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:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's proportionate share of the net pension liability	<u>\$ 601,795</u>	<u>\$ 378,407</u>	<u>\$ 192,402</u>

Pension Plan Fiduciary Net Position

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

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

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

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

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 a liability of \$49,231 and \$20,973 respectively, for its proportionate share of the net OPEB liability. 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 0.041015%, which was an increase of .003306% from its proportion measured as of June 30, 2022. At June 30, 2022, the Employer's proportion was 0.037709%, which was an increase of .002525% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Employer recognized OPEB expense of \$8,787. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,167	\$ (423)
Changes of assumptions	12,401	-
Net difference between projected and actual earnings on OPEB plan investments	6,628	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,411	(213)
Employer contributions subsequent to the measurement date	<u>4,924</u>	<u>-</u>
Total	<u>\$ 27,531</u>	<u>\$ (636)</u>

\$4,924 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.

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

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

Year ended June 30:

2024	\$	5,756
2025		5,421
2026		4,812
2027		5,982

For the year ended June 30, 2022, the Employer recognized OPEB expense of \$3,011. At June 30, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,204	\$ (575)
Changes of assumptions	3,248	-
Net difference between projected and actual earnings on OPEB plan investments	-	(7,186)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,278	(295)
Employer contributions subsequent to the measurement date	<u>4,827</u>	<u>-</u>
Total	<u>\$ 10,557</u>	<u>\$ (8,056)</u>

\$4,827 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.

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

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

Year ended June 30:

2023	\$	(290)
2024		(342)
2025		(649)
2026		(1,208)
2027		163

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

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 Employer's proportionate share of the net OPEB liability calculated as of June 30, 2022 using the discount rate of 5.39 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease 4.39%	Current Discount Rate 5.39%	1% Increase 6.39%
Employer's proportionate share of the net OPEB liability	\$ 62,840	\$ 49,231	\$ 37,806

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net OPEB liability	\$ 31,105	\$ 20,973	\$ 12,399

OPEB Plan Fiduciary Net Position

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

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022

NOTE 8 NEW ACCOUNTING PRONOUNCEMENTS

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

- 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*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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

NOTE 9 SUBSEQUENT EVENTS

No significant events occurred subsequent to Board's year end. Subsequent events have been evaluated through January 11, 2024, which is the date these financial statements were available to be issued.

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

	Employer's proportion of the net pension <u>liability (asset)</u>	Employer's proportionate share of the net pension <u>liability (asset)</u>	Employer's covered- employee <u>payroll</u>	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- <u>employee payroll</u>	Plan fiduciary net position as a percentage of the total pension <u>liability</u>
2023	0.03648%	\$ 1,050,562	\$ 423,446	248.10%	54.47%
2022	0.03631%	378,407	411,113	92.04%	78.26%
2021	0.03636%	1,143,862	401,085	285.19%	48.91%
2020	0.03741%	438,519	389,163	112.68%	71.66%
2019	0.03751%	632,972	385,320	164.27%	63.53%
2018	0.03737%	600,659	381,492	157.45%	61.98%
2017	0.03665%	356,761	368,907	96.71%	70.46%
2016	0.03737%	228,807	299,776	76.33%	77.15%
2015	0.03430%	217,728	288,967	75.35%	77.70%

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

See Notes to the Required Supplementary Information

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

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 30,752	\$ (30,752)	\$ -	\$ 431,915	7.12%
2022	30,149	(30,149)	-	423,446	7.12%
2021	29,271	(29,271)	-	411,113	7.12%
2020	28,557	(28,557)	-	401,085	7.12%
2019	27,708	(27,708)	-	389,163	7.12%
2018	27,841	(27,841)	-	391,021	7.12%
2017	27,162	(27,162)	-	381,495	7.12%
2016	26,708	(26,265)	443	368,907	7.12%
2015	22,770	(21,344)	1,426	299,775	7.12%

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

See Notes to the Required Supplementary Information

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

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- 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	0.041015%	\$ 49,231	\$ 423,444	11.63%	56.28%
2022	0.037709%	20,973	401,085	5.23%	76.63%
2021	0.035184%	29,597	389,172	7.61%	63.38%
2020	0.034876%	28,012	389,163	7.20%	63.13%
2019	0.035214%	27,733	385,320	7.20%	61.89%
2018	0.035263%	27,893	381,492	7.31%	59.78%

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

See Notes to the Required Supplementary Information

NORTH DAKOTA STATE PLUMBING BOARD
SCHEDULE 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	\$ 4,924	\$ (4,924)	\$ -	\$ 431,915	1.14%
2022	4,827	(4,827)	-	423,446	1.14%
2021	4,687	(4,687)	-	401,085	1.17%
2020	4,572	(4,572)	-	389,172	1.17%
2019	4,437	(4,437)	-	389,163	1.14%
2018	4,457	(4,457)	-	391,021	1.14%

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

See Notes to the Required Supplementary Information

NORTH DAKOTA STATE PLUMBING BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023 AND 2022

NOTE 1 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 2 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 investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are un-changed from the last actuarial valuation as of July 1, 2021.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Dakota State Plumbing Board, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise North Dakota State Plumbing Board's basic financial statements and have issued our report thereon dated January 11, 2024.

Report on Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 to be significant deficiencies.

Report on Compliance and Other Matters

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

North Dakota State Plumbing Board's Responses to Findings

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. ND State Plumbing 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 & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 11, 2024

NORTH DAKOTA STATE PLUMBING BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

2023-001 Significant Deficiency: Preparation of Financial Statements

Criteria

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

Condition

The Board's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the Board 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 Plumbing Board's management that it is in the best interest of North Dakota State Plumbing Board and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.

NORTH DAKOTA STATE PLUMBING BOARD
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

2023-002 Significant Deficiency: Segregation of Duties

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions:

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

NORTH DAKOTA STATE PLUMBING BOARD
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

2023-003 Material Weakness: Journal Entries

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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