

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

AUDIT REPORT

JUNE 30, 2024

NORTH DAKOTA STATE BOARD OF REGISTRATION FOR  
PROFESSIONAL ENGINEERS AND LAND SURVEYORS  
June 30, 2024

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North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
June 30, 2024

BOARD OF DIRECTORS

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying financial statements of the governmental activities and the major fund of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors, Bismarck, North Dakota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' ability to continue as a going concern for a reasonable period of time.

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 22, and the notes to the required supplementary information on page 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2025 on our consideration of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' internal control over financial reporting and compliance.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd  
Mandan, North Dakota  
March 12, 2025

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Statement of Net Position  
June 30, 2024

	Governmental Activities
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,822,858
Investments	1,787,504
Interest Receivable	21,249
Prepaid Expenditures	3,970
	<hr/>
Total Current Assets	4,635,581
Long-Term Assets:	
ROU Lease Assets, Net of Accumulated Amortization	288,019
Subscription Assets, Net of Accumulated Amortization	95,260
Capital Assets, Net of Accumulated Depreciation	107,253
	<hr/>
Total Long-Term Assets	490,532
	<hr/>
TOTAL ASSETS	5,126,113
LIABILITIES	
Current Liabilities:	
Accounts Payable	48,282
Payroll Taxes Payable	4,708
Leases Payable	21,910
Subscription Payable	28,515
	<hr/>
Total Current Liabilities	103,415
Long-Term Liabilities:	
Due Beyond One Year:	
Compensated Absences	5,162
Leases Payable	266,948
Subscription Payable	30,940
	<hr/>
Total Long-Term Liabilities	303,050
	<hr/>
TOTAL LIABILITIES	406,465
DEFERRED INFLOWS OF RESOURCES	
Unearned Dues Revenue	357,775
NET POSITION	
Net Investment in ROU Lease, Subscription, and Capital Assets	192,644
Unrestricted	4,169,229
	<hr/>
TOTAL NET POSITION	<u>\$ 4,361,873</u>

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Statement of Activities  
For the year ended June 30, 2024

Functions/Programs					Net (Expense) Revenue & Changes in Net Position
	Program Revenues				Primary Government
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
<u>Governmental Activities</u>					
Licensing and Regulation	\$ 647,391	\$ 656,392	\$ -	\$ -	\$ 9,001
Interest on Long-Term Debt	561	-	-	-	(561)
Total Governmental Activities	<u>\$ 647,952</u>	<u>\$ 656,392</u>	<u>\$ -</u>	<u>\$ -</u>	8,440
General Revenues:					
Interest and Miscellaneous Income					136,482
Gain (Loss) on Investments					<u>32,231</u>
Total General Revenues					168,713
Loss on Disposition of Asset					<u>(20,504)</u>
Change in Net Position					156,649
Net Position - Beginning of Year					<u>4,205,224</u>
Net Position - End of Year					<u>\$ 4,361,873</u>



North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Balance Sheet - Governmental Fund  
June 30, 2024

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,822,858
Investments	1,787,504
Interest Receivable	21,249
Prepaid Expenditures	<u>3,970</u>
TOTAL ASSETS	<u>\$ 4,635,581</u>
LIABILITIES	
Accounts Payable	\$ 48,282
Payroll Taxes Payable	<u>4,708</u>
Total Liabilities	52,990
DEFERRED INFLOWS OF RESOURCES	
Deferred Dues Revenue	<u>357,775</u>
Total Liabilities and Deferred Inflows of Resources	<u>410,765</u>
FUND BALANCES	
Nonspendable:	
Prepaid Expenditures	3,970
Committed for:	
Legal Service	1,000,000
Unassigned	<u>3,220,846</u>
Total Fund Balances	<u>4,224,816</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,635,581</u>
Total fund balances - governmental funds	\$ 4,224,816
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$129,854, and the accumulated depreciation is \$22,601.	107,253
Right-to-use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the right-to- use leased assets is \$290,833, and the accumulated amortization is \$2,814.	288,019
Right-to-use subscription assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the right-to-use subscription assets is \$142,890, and the accumulated amortization is \$47,630.	95,260
Some liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated Absences Payable	(5,162)
SBITA Payable	(59,455)
Leases Payable	<u>(288,858)</u>
Net position of governmental activities	<u>\$ 4,361,873</u>

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Fund  
For the year ended June 30, 2024

	<u>General Fund</u>
REVENUES	
Personal Renewal Fees	\$ 434,366
Commercial Renewal Fees	129,883
Retired Renewal Fees	60
Personal Endorsement Fees	76,944
Commercial Endorsement Fees	11,389
Civil Penalties	3,750
Interest and Miscellaneous Income	<u>136,482</u>
TOTAL REVENUES	792,874
EXPENDITURES	
Current:	
Salaries and Wages	271,483
Employee Benefits	72,946
Short-Term Office Lease Expense	49,650
Telephone	2,770
Travel and Meetings	23,369
Office Expense	41,926
Insurance and Bonds	2,712
Printing	2,300
NCEES and CLEAR Dues	6,500
Legal and Investigations	42,931
Rulemaking	27,323
Accounting and Audit Fees	18,906
Investment Management Fees	4,309
Special Projects Expense	6,615
Capital Outlay	490,384
Education Programs	1,940
Online Renewal Fees	6,784
Website Development	210
Debt Service:	
Principal	36,294
Interest	<u>561</u>
TOTAL EXPENDITURES	<u>1,109,913</u>
EXCESS OF REVENUES OVER EXPENDITURES	(317,039)
OTHER FINANCING SOURCES (USES)	
Lease Liabilities Issued	291,583
SBITA Liabilities Issued	93,024
Unrealized Gain (Loss) on Investments	<u>32,231</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>416,838</u>
NET CHANGE IN FUND BALANCES	99,799
Fund Balances - July 1, 2023	<u>4,125,017</u>
FUND BALANCES - JUNE 30, 2024	<u>\$ 4,224,816</u>

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and  
Changes in Fund Balances to the Statement of Activities  
For the year ended June 30, 2024

Net change in fund balances - total governmental funds \$ 99,799

The change in net position reported for governmental activities in the statement of activities is different because:

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

Capital assets purchased in the current period	\$ 94,018	
Depreciation expense of capital assets reported	(15,695)	
Gain/(Loss) on Disposition of Assets	<u>(20,504)</u>	
		57,819

Right-of-use lease assets used in governmental activities are not financial resources and are not reported in the governmental funds. The cost of those assets is allocated over their estimated useful lives and reported as amortization expense.

Right to use leased asset capital outlay expenditures	290,833	
Amortization expense for right-to-use assets	<u>(2,814)</u>	
		288,019

Subscription assets used in governmental activities are not financial resources and are not reported in the governmental funds. The cost of those assets is allocated over their estimated useful lives and reported as amortization expense.

Subscription asset capital outlay expenditures	104,783	
Amortization expense for subscription assets	<u>(47,630)</u>	
		57,153

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

New long-term debt issued	(384,607)	
Principal payments on long-term debt	<u>36,294</u>	
		(348,313)

Some expenses reported in the statement of activities do not require use of current financial resources and are not reported as expenditures in governmental funds.

Net change in compensated absences		<u>2,172</u>
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Change in net position of governmental activities		<u><u>\$ 156,649</u></u>
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North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Entity*

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

*Reporting Entity*

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

*Basis of Presentation*

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

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

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

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

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Basis of Accounting*

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

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

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

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

*Cash and Cash Equivalents*

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

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

*Capital Assets and Depreciation*

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

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Leases*

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

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

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

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

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

*Subscription-Based IT Agreements (SBITAs)*

A SBITA is defined as a contract that conveys control of the right to use another party's computer software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The Board records SBITAs for computer software subscription agreements with terms of more than 12 months. Subscription assets and liabilities are recognized based on the present value of future cash subscription payments that are required to be paid under the SBITA, as well as capital outlays that are required to implement the SBITA. In cases where the implicit rate is not readily determinable in the SBITA, the Board calculates present value using its incremental borrowing rate based on the information available at the commencement of the agreement. The Board continues to record contractual expenses for other software costs and SBITAs with terms of up to 12 months.

*Intangible Assets*

The Board records right-of-use lease assets as a result of implementing GASB Statement No. 87, and subscription assets as a result of implementing GASB Statement No. 96.

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Right-of-use (ROU) lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use lease assets are amortized on a straight-line basis over the life of the related leases.

Subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liabilities, plus the capital outlay costs that were required to be paid to implement the SBITA. Subscription assets are amortized on a straight-line basis over the lives of the related agreements.

*Compensated Absences*

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

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

*Revenue Recognition*

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

*Use of Estimates*

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

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Net Position*

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

*Fund Balance Classifications*

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

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

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

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

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

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

The nonspendable fund balance is comprised of \$3,970 of prepaid expenditure. The Board committed \$1,000,000 through Board approval to be used for legal services.

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



North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 2 – DEPOSITS – CASH AND INVESTMENTS**

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

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

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

As of June 30, 2024, the Board's carrying balance was \$4,081,365. The bank balance of these deposits at June 30, 2024 was \$4,088,397. As of June 30, 2024, the bank balance included demand deposits, along with investments in certificates of deposit totaling \$1,258,507. Of the bank balances, \$4,048,728 was covered by Federal Depository Insurance. Uninsured and uncollateralized deposits were \$39,669. The Board monitors the balances to ensure deposits are sufficiently covered by FDIC. The Board participates in the CDARSs program, which allows it to place its funds into certificates of deposit issued by other banks in the CDARS network in order to obtain complete FDIC protection. There was no formal review by the Board during the year. The Board has not adopted a deposit policy limiting the Board's deposits with any one depositor.

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

At June 30, 2024, the Board had the following investment maturities:

Type of Investment	Fair Value	Investment Maturities			
		Less Than	1 - 5 Years	6 - 10 Years	Over 10 Years
BNC Certificate of Deposit	\$ 258,507	\$ 258,507	\$ -	\$ -	\$ -
FIBT CDs - Legal Reserve	1,000,000	1,000,000	-	-	-
Total	<u>\$ 1,258,507</u>	<u>\$ 1,258,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

The following table below presents the balances of assets, deferred outflow of resources, and deferred inflow of resources measured at fair value on a recurring basis at June 30, 2024.

		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets	Total			
US Treasury Bills - Mutual Funds	\$ 248,366	\$ 248,366	\$ -	\$ -
Money Market	280,631	280,631	-	-
Total	<u>\$ 528,997</u>	<u>\$ 528,997</u>	<u>\$ -</u>	<u>\$ -</u>

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 4 – CAPITAL ASSETS**

Capital assets consist of the following as of June 30, 2024:

	<u>Office Furniture and Equipment</u>
Balance, July 1, 2023	\$ 293,570
Purchases	94,018
Reclassification of Subscription Asset	(38,107)
Dispositions	<u>(219,627)</u>
Balance, June 30, 2024	<u>129,854</u>
Accumulated Depreciation, July 1, 2023	206,029
Additions	15,695
Dispositions	<u>(199,123)</u>
Accumulated Depreciation, June 30, 2024	<u>22,601</u>
Net Book Value, June 30, 2024	<u><u>\$ 107,253</u></u>

Depreciation expense for the year ended June 30, 2024 was \$15,695.

**NOTE 5 – LONG-TERM LIABILITIES**

*Intangible Assets*

The Board records right-of-use lease assets. The asset includes office space leased from Rocky Gordon & Co. at 3255 Greensboro Drive, Suite 203, Bismarck, ND, and a copier leased from Marco. The related leases are discussed in the Leases Payable section of this note. The right-of-use lease assets are amortized on a straight-line basis over the terms of the related leases. Right-of-use lease asset activity for the primary government for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Right-of-Use Lease Assets:				
Leased Office Space	\$ -	\$ 276,763	\$ -	\$ 276,763
Leased Copier	<u>-</u>	<u>14,070</u>	<u>-</u>	<u>14,070</u>
Total Right-of-Use Lease Assets	<u>-</u>	<u>290,833</u>	<u>-</u>	<u>290,833</u>
Less Accumulated Amortization for:				
Leased Copier	<u>-</u>	<u>2,814</u>	<u>-</u>	<u>2,814</u>
Total Accumulated Amortization	<u>-</u>	<u>2,814</u>	<u>-</u>	<u>2,814</u>
Total Right-of-Use Lease Assets, Net	<u><u>\$ -</u></u>	<u><u>\$ 288,019</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 288,019</u></u>

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)**

The Board records a subscription asset. The asset includes the right to use computer software from Albertson Consulting, Inc., in combination with tangible subscription assets, as specified in the contract for a 3 year period. The related payable is discussed in the Subscription Payable section of this note. The subscription asset is amortized on a straight-line basis over the term of the subscription agreement. Subscription asset activity for the primary government for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Subscription Assets:				
Albertson Consulting, Inc.	\$ -	\$ 142,890	\$ -	\$ 142,890
Total Subscription Assets	<u>-</u>	<u>142,890</u>	<u>-</u>	<u>142,890</u>
Less Accumulated Amortization for:				
Albertson Consulting, Inc.	<u>-</u>	<u>47,630</u>	<u>-</u>	<u>47,630</u>
Total Accumulated Amortization	<u>-</u>	<u>47,630</u>	<u>-</u>	<u>47,630</u>
Total Subscription Assets, Net	<u><u>\$ -</u></u>	<u><u>\$ 95,260</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 95,260</u></u>

*Leases Payable*

During the year ended June 30, 2024, the Board entered into an agreement to lease office space. The initial term of the lease agreement commenced on July 1, 2024 and expires on June 30, 2029, followed by two 3-year renewal period options that are expected to be exercised. The monthly payment amounts vary during the term of the agreement. The lease qualifies as an other than short-term lease under GASB Statement No. 87. Therefore, the lease payable was recorded at the present value of the future minimum lease payments as of the date of its inception. The Board expects to make 132 monthly payments under the agreement. The lease liability is measured at a risk-free discount rate of 4.52%, as no discount rate was specified in the lease agreement. The associated right-of-use lease asset is discussed in more detail in the intangible asset section of this note.

During the year ended June 30, 2024, the Board entered into an agreement to lease a copier. The lease agreement commenced on July 1, 2023 and expires on June 30, 2028. The agreement requires 60 minimum monthly payments of \$274. The lease qualifies as an other than short-term lease under GASB Statement No. 87. Therefore, the lease payable was recorded at the present value of the future minimum lease payments as of the date of its inception. The lease liability is measured at a risk-free discount rate of 4.13%, as no discount rate was specified in the lease agreement. The associated right-of-use lease asset is discussed in more detail in the intangible asset section of this note.

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)**

The future minimum lease liabilities and the net present value of these minimum lease payments as of June 30, 2024 were as follows:

Year Ended				
December 31	Principal	Interest	Total	
2025	\$ 21,910	\$ 12,564	\$ 34,474	
2026	22,909	11,565	34,474	
2027	23,955	10,519	34,474	
2028	25,684	9,414	35,098	
2029	24,158	8,290	32,448	
2030-2034	138,575	23,665	162,240	
2035-2039	<u>31,667</u>	<u>781</u>	<u>32,448</u>	
Total	<u>\$ 288,858</u>	<u>\$ 76,798</u>	<u>\$ 365,656</u>	

*Subscription Payable*

During the year ended June 30, 2024, the Board entered into a computer software subscription agreement. The term of the subscription agreement commenced on October 1, 2023, when the system was live, delivered and accepted by the Board. The agreement expires on September 30, 2026, and requires 3 annual payments of \$33,569. The agreement, and the capital outlays required to implement the agreement, qualify as a subscription-based IT agreement under GASB Statement No. 96. Therefore, the subscription payable was recorded at the present value of the future subscription payments as of the date of its inception. The subscription liability is measured at the Board's incremental borrowing rate, as no discount rate was specified in the subscription agreement. The associated subscription asset is discussed in more detail in the intangible asset section of this note.

The future minimum subscription liabilities and the net present value of these minimum subscription payments as of June 30, 2024 were as follows:

Year Ended				
December 31	Principal	Interest	Total	
2025	\$ 28,516	\$ 5,053	\$ 33,569	
2026	<u>30,939</u>	<u>2,630</u>	<u>33,569</u>	
Total	<u>\$ 59,455</u>	<u>\$ 7,683</u>	<u>\$ 67,138</u>	

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)**

*Long-Term Liabilities*

During the year ended June 30, 2024, the following changes occurred in long-term liabilities:

	Balance			Balance	Current
	July 1, 2023	Increases	Decreases	June 30, 2024	Portion of
					Balance
Compensated Absences *	\$ 7,334	\$ -	\$ (2,172)	\$ 5,162	\$ -
Leases Payable	-	291,583	(2,725)	288,858	21,910
Subscription Payable	-	93,024	(33,569)	59,455	28,515
Total Governmental Activities	<u>\$ 7,334</u>	<u>\$ 384,607</u>	<u>\$ (38,466)</u>	<u>\$ 353,475</u>	<u>\$ 50,425</u>

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

**NOTE 6 – SHORT TERM LEASE**

During the year ended June 30, 2024, the Board had a 12-month lease agreement for office space with BTSOS, dba Riverside Office Building, at 723 Memorial Highway, Bismarck, ND. The agreement commenced on July 1, 2023 and expired on June 30, 2024. Rent expense for the year ended June 30, 2024 was \$49,650.

**NOTE 7 – EMPLOYEE BENEFITS**

The Board contributes to qualified employees' retirement through a SEP-IRA plan with Ameriprise Financial. The contribution to the employee's SEP-IRA account shall be equal to six percent of the employee's salary. The amount of the SEP-IRA contributions for the years ended June 30, 2024, 2023, and 2022, were \$14,764, \$11,922, and \$14,260, respectively.

**NOTE 8 – RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is covered by the Risk Management Fund of North Dakota. The Risk Management Fund will pay money damages for 1) an injury caused by the negligence or wrongful act or omission of a State employee acting within the employee's scope of employment which the employee would be personally liable to pay a claimant under state law and 2) an injury caused from some condition or use of tangible property under circumstances in which the State, if it were a private person, would be liable to the claimant. Coverage includes claims for damages resulting from an occurrence, accident, wrongful act, error or omission or claim made because of bodily injury, personal injury, property damage, professional liability, or public officials' professional liability or any combination thereof. The Board makes an annual payment for this insurance coverage.

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to the Financial Statements  
June 30, 2024

**NOTE 8 – RISK MANAGEMENT (CONTINUED)**

The coverage the Risk Management Fund may pay is limited to a total of \$406,250 per person and \$1,625,000 per occurrence. The Risk Management Fund will not be held liable or indemnify a State employee held liable for punitive or exemplary damages.

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

The Board participates in the North Dakota State Bonding Fund for employee dishonesty coverage in the amount of \$1,414,185.

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

***REQUIRED  
SUPPLEMENTARY INFORMATION***



North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Budgetary Comparison Schedule  
General Fund  
For the year ended June 30, 2024

	Original and Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
<b>REVENUES</b>			
Personal Renewal Fees	\$ 432,000	\$ 434,366	\$ 2,366
Commercial Renewal Fees	121,250	129,883	8,633
Retired Renewal Fees	-	60	60
Personal Endorsement Fees	154,100	76,944	(77,156)
Commercial Endorsement Fees	12,500	11,389	(1,111)
Civil Penalties	-	3,750	3,750
Interest and Miscellaneous Income	<u>143,750</u>	<u>136,482</u>	<u>(7,268)</u>
<b>TOTAL REVENUES</b>	<b>863,600</b>	<b>792,874</b>	<b>(70,726)</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Salaries and Wages	263,564	271,483	7,919
Employee Benefits	94,352	72,946	(21,406)
Rent	49,650	49,650	-
Telephone	3,180	2,770	(410)
Travel and Meetings	63,732	23,369	(40,363)
Office Expense	95,342	41,926	(53,416)
Insurance and Bonds	2,500	2,712	212
Printing	6,000	2,300	(3,700)
Examinations	6,000	-	(6,000)
NCEES and CLEAR Dues	7,000	6,500	(500)
Legal and Investigations	63,800	42,931	(20,869)
Rulemaking	17,200	27,323	10,123
Accounting Fees	16,000	18,906	2,906
Investment Management Fees	-	4,309	4,309
Special Projects Expense	74,000	6,615	(67,385)
Capital Outlay	5,000	490,384	485,384
Online Renewal Fees	3,520	6,784	3,264
Education Programs	12,390	1,940	(10,450)
Website Development	3,000	210	(2,790)
<b>Debt Service:</b>			
Principal	-	36,294	36,294
Interest	<u>-</u>	<u>561</u>	<u>561</u>
<b>TOTAL EXPENDITURES</b>	<b><u>786,230</u></b>	<b><u>1,109,913</u></b>	<b><u>323,683</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>77,370</u>	<u>(317,039)</u>	<u>(394,409)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Lease Liabilities Issued	-	291,583	291,583
SBITA Liabilities Issued	-	93,024	93,024
Gain (Loss) on Investments	<u>-</u>	<u>32,231</u>	<u>32,231</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>-</u></b>	<b><u>416,838</u></b>	<b><u>416,838</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>77,370</b>	<b>99,799</b>	<b>22,429</b>
Fund Balances - July 1, 2023	<u>4,125,017</u>	<u>4,125,017</u>	<u>-</u>
<b>FUND BALANCES - JUNE 30, 2024</b>	<b><u>\$ 4,202,387</u></b>	<b><u>\$ 4,224,816</u></b>	<b><u>\$ 22,429</u></b>

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Notes to Required Supplementary Information  
June 30, 2024

NOTE 1      STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors, Bismarck, North Dakota as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated March 12, 2025.

**Report on Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2024-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2024-002 and 2024-003 described in the accompanying schedule of findings to be significant deficiencies.

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

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

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

North Dakota State Board of Registration for Professional Engineers and Land Surveyors' responses to the findings identified in our audit are described in the accompanying schedule of findings. The North Dakota State Board of Registration for Professional Engineers and Land Surveyors' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

*Haga Kommer, Ltd.*

Haga Kommer, Ltd  
Mandan, North Dakota  
March 12, 2025

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Schedule of Findings  
For the Year Ended June 30, 2024

**2024-001      Segregation of Duties**

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

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

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

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

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

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

**2024-002      Preparation of Financial Statements**

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

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

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

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

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

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

North Dakota State Board of Registration for  
Professional Engineers and Land Surveyors  
Schedule of Findings  
For the Year Ended June 30, 2024

**2024-003      Journal Entries**

Criteria – The Board is required to establish internal controls and procedures which allow it to determine that the general ledger accounts are properly reflected according to generally accepted accounting principles.

Condition – During the audit, it was noted that the auditee had not posted the required journal entries to correctly record lease and SBITA-related assets and liabilities in accordance with GASB 87 and GASB 96. Specifically:

- Subscription-based IT agreements were identified, but no entries were made to record the subscription liability or right-of-use asset.
- As a result, the government-wide financial statements were misstated, with liabilities and assets understated and related expenses unrecorded.

Cause – The failure to correctly record the journal entries was due to:

- Lack of understanding or training on the implementation of GASB 87 and GASB 96 requirements.
- Insufficient processes or controls in place to identify and account for leases and SBITAs in the financial reporting process.

Effect – Government-wide financial statements were not presented in accordance with generally accepted accounting principles (GAAP).

Recommendation – The Board should:

- Review GASB 87 and GASB 96 requirements.
- Implement a process to identify and track all leases and SBITAs to ensure proper recognition and reporting.
- Establish internal controls to ensure that journal entries for leases and SBITAs are properly recorded and reviewed prior to financial statement preparation.

Management's Response – The Board is aware of the subscription and lease adjustments. Management will make an effort to ensure that subscription and lease adjustments are posted correctly in the future.

North Dakota State Board of Registration for Professional Engineers and Land Surveyors  
Auditor's Summary Requested by the  
North Dakota Legislative Audit and Fiscal Review Committee  
June 30, 2024

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

Audit purpose - The purpose of the audit was to obtain reasonable assurance about whether the financial statements of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors are free from material misstatement.

As part of obtaining reasonable assurance about whether the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' financial statements are free from material misstatement, the transactions of the North Dakota State Board of Registration for Professional Engineers and Land Surveyors were tested for 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.

Findings

- An unmodified opinion was issued on the North Dakota State Board of Registration for Professional Engineers and Land Surveyors' financial statements.
- No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were found.
- 2024-001 – Material weakness – Segregation of duties – See page 26 of the audit report.
- 2024-002 – Significant deficiency – Preparation of the financial statements – See page 26 of the audit report.
- 2024-003 – Significant deficiency – Journal entries – See page 27 of the audit report.

Prior audit findings

- No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were found.
- 2023-001 – Material weakness – Segregation of duties – Repeated as finding 2024-001
- 2023-002 – Significant deficiency – Preparation of the financial statements – Repeated as finding 2024-002

Other information

- The management's discussion and analysis section is required by GASB. Management has omitted this section.

Cost of the audit

- Current audit – \$12,000
- Prior audit – \$10,900