



Financial Statements  
June 30, 2016

# North Dakota Board of Nursing

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of each major enterprise fund of North Dakota Board of Nursing, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### Management's Responsibility 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; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major enterprise fund of the North Dakota Board of Nursing as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the North Dakota Board of Nursing's share of net pension liability, and schedule of the North Dakota Board of Nursing's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such 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. 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.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The listing of Board Members and Staff and the budgetary comparison information shown on pages 27 to 30 is presented for purposes of additional analysis and is not a required part of the financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Board Member and Staff listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The Board Member and Staff listing is provided solely for informational purposes.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2016 on our consideration of North Dakota Board of Nursing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 North Dakota Board of Nursing's internal control over financial reporting and compliance.

*Eide Sallee LLP*

Bismarck, North Dakota  
October 28, 2016

As management of the North Dakota Board of Nursing (Board), we offer readers of the Board's financial statement this narrative and analysis of the financial activities of the Board for the fiscal year ending June 30, 2016. The analysis focuses on significant financial position, budget changes and variances from budget, and specific issues related to funds and the economic factors affecting the Board.

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

The Board currently licenses 14,537 registered nurses, 3,688 licensed practical nurses, 1,309 advanced practice nurses, and of those 883 have prescriptive authority, 866 unlicensed assistive persons, and 209 medication assistants.

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

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

Some characteristics of this model include:

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

Major activities of the Board include:

- Licensure and regulation of the practice of over 18,000 nurses and 800 Unlicensed Assistive Persons.
- Monitor nursing education programs for compliance with the law and rules.
- Collaboration and consultation with appropriate nursing and health care organizations and other affected parties in the establishment of standards for nursing practice.
- Collection and analysis of data regarding nursing education, nursing practice, and nursing resources.

### **Financial Highlights**

- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$153,749.
- The Board's total net position decreased by \$80,023.
- As of the close of the current fiscal year, the Board's net position balance for the general fund was (\$1,253).

## **Overview of the Financial Statements**

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

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

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

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

The financial statements can be found on pages 10-13 of this report.

## **Enterprise Funds**

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

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

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

The notes to the financial statements can be found on pages 14-25 of this report.

Supplementary Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, which can be found on pages 27-30.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which can be found on pages 10-25 and page 26.

Government-wide Financial Analysis - As noted previously, net position may serve over time as a useful indicator of a government's financial position. For the Board, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$153,749 at the close of the most recent fiscal year.

**Condensed Balance Sheet  
June 30, 2016 and 2015**

	2016	2015 (Memorandum only)
Assets		
Current Assets	\$ 1,191,628	\$ 1,173,293
Noncurrent Assets	108,085	145,127
Total Assets	1,299,713	1,318,420
Deferred Outflows of Resources	121,680	100,433
Total Assets and Deferred Outflows of Resources	\$ 1,421,393	\$ 1,418,853
Liabilities		
Current Liabilities	\$ 775,102	\$ 739,908
Noncurrent Liabilities	463,560	403,758
Total Liabilities	1,238,662	1,143,666
Deferred Inflows of Resources	28,982	41,415
Total Liabilities and Deferred Inflows of Resources	1,267,644	1,185,081
Fund Net Position		
Net Investment in Capital Assets	37,462	65,726
Unrestricted	116,287	168,046
Total Net Position	153,749	233,772
Total Liabilities and Net Position	\$ 1,421,393	\$ 1,418,853



The largest portion of the Board's net position reflects the business-type activity of the collection of biennial renewal fees. The Board collects licensure renewal fees from approximately half of the estimated 18,000 licensee's from October through December of each year. The licenses issued are valid for the following two calendar years. Revenue is recognized when earned. Unearned revenue represents 25% of revenue collected during the calendar year preceding the report date and 75% of revenue collected during the current calendar year.

**Statement of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2016 and 2015**

	2016	2015 (Memorandum only)
Operating Revenues		
Professional fees	\$ 1,084,809	\$ 1,073,484
Center for nursing	268,830	248,970
NNAAP testing	38,391	30,327
Total operating revenues	1,392,030	1,352,781
Operating Expenses		
Employee compensation and benefits	765,526	738,991
Board expenses	47,942	56,516
Rent expense	35,520	32,820
Professional fees	73,562	89,965
Printing and postage expense	11,794	10,388
Office expenses	17,608	19,344
Repairs and maintenance	9,500	4,355
Miscellaneous expenses	31,277	26,772
Depreciation expense	28,243	29,100
NNAAP testing	97,180	84,066
Employment credit expense	87,251	76,610
Center for nursing	268,830	248,970
100th Anniversary Celebration	-	20,313
Total operating expenses	1,474,233	1,438,210
Operating Loss	(82,203)	(85,429)
Nonoperating Revenue		
Interest income	2,201	1,710
Loss on sale of fixed asset	(21)	-
Total nonoperating revenue	2,180	1,710
Change in Net Position	(80,023)	(83,719)
Net Position, Beginning of Year	233,772	317,491
Net Position, End of Year	\$ 153,749	\$ 233,772

Business-type Activity - Business-type activities decreased the Board's net position by \$80,023.

The major fund of the Board is the general operating fund, which is funded through licensure and registration fees. At the end of the current fiscal year, the net position balance of the general fund was (\$1,253). The Board continues to see an increase in total number of licensees, as well as discipline cases.

The Nursing Education Loan Program is funded with a portion of the licensure renewal fees. For over 30 years, the NEL Program has been a viable resource for potential nursing students and nurses wishing to further their education. The loan disbursement for the past five years totals over \$439,209. The nursing education loan may be repaid by nursing employment in North Dakota. The repayment rate is one dollar per hour of employment. The Board requires verification of actual hours worked for employment credit from the employer.

As a vendor for the North Dakota Department of Health, the Board continues to offer the NNAAP test. This test is for certification of individuals preparing to work as CNAs. The test is offered throughout the state at various sites.

In 2012, the Board increased the RN and LPN renewal fee and licensure by endorsement fee by \$30.00. This additional fee is utilized to fund the North Dakota CFN. The CFN was created in 2011 as a centralized coordinating organization for North Dakota's nursing community. The CFN facilitates ongoing research and development related to nursing workforce and provides for research, education, recruitment and retention, advocacy, and public policy through governing board and strategic planning leadership teams. This funding stream through utilization of licensure fees has been an effective mechanism to upgrade the work of the CFN in providing education and practice resource to nurses and stakeholders.

### **Capital Asset and Debt Administration**

Capital Assets - The Board's net investment in capital assets for its business type activities as of June 30, 2016 amounts to \$37,642 (net accumulated depreciation). This net investment in capital assets includes office equipment, furniture, and technology required to maintain the functions of the Board. Additional information on the Board's capital assets can be found in Note 5 Fixed Assets on page 19 of this report.

Long-Term Debt - At the end of the current fiscal year, the Board had total long-term debt of \$277,352. Of this amount, \$26,194 is comprised of compensated absences. The remaining amount of \$251,158 is from the net pension liability resulting from the implementation of the new GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires governmental agencies to report their proportionate share of pension expense and liabilities. Additional information on the Board's long-term debt can be found in Note 6 on page 19 of this report.

### Factors Affecting Future Needs

During FY 2014-2015, Board staff FTE increased from 7.6 to 8.0 to accommodate workload demands of the office. In addition, the Board Executive Director and Associate Director retired, resulting in the hiring of two new directors. The preceding Associate Director for Education and APRN transitioned to the position of Executive Director, effective July 1, 2015. Therefore, FY 2015-2016 encompassed orientation, education, training, and mentoring for the 3 directors assuming the new roles.

In March 2015, the Board motioned to support the proposed enhanced Nurse Licensure Compact (NLC) and Advanced Practice Registered Nurse Compact for adoption by NCSBN at the May 2015 delegate assembly. At the May 2015 NCSBN delegate assembly, both compacts were approved. In September 2016, the Board joined the 2017 NLC Compact Cohort through NCSBN, which includes 20 jurisdictions collaborating to bring the compacts to their respective states during the 2017 legislative sessions. If adopted into law, the Board will add further technology and software updates, as well as other resources required to implement the new compacts.

During the 64<sup>th</sup> Legislative Assembly, House Bill 1149 passed requiring the Board to adopt rules relating to governing use of the prescription drug monitoring program for prescribers. The Board presented the rule making during the September 13, 2016 Administrative Rules Committee. The PDMP rules were officially implemented October 1<sup>st</sup>, 2016. The Board provided the implementation notice through Dakota Nurse Connection publication, NDBON website announcement, and email blast. The ND Center for Nursing and ND Nurse Practitioner Association also published the PDMP rules in publications and emails. The Board will need to update applications to include attestation to registration and utilization of the PDMP as stated in rules.

There are several factors impacting the workload of Board staff in the next fiscal year:

- Recommendations of the technology committee for further technology development.
- Development of On-Line APRN Licensure and licensure reactivation.
- Development of regulatory presentations via the web and across state at conferences per request.
- Development of succession planning and cross training.
- Enhanced office security policies and systems.

As of June 30, 2016, the Board budget for the next fiscal year was adequate to cover projected costs at the current level. Through continuous evaluation and planning, the Board has maintained current personnel despite the increased workload while striving to maintain a high level of customer service. With the upgrades in technology, the Board will continue to meet the needs of the licensees in North Dakota, while also accomplishing its mission of public protection.

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

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2016 Total</u>
Assets			
Current Assets			
Cash	\$ 307,727	\$ 91,573	\$ 399,300
Certificates of Deposit	720,790	-	720,790
Notes receivable - current portion	-	70,624	70,624
Accounts receivable	794	120	914
Total current assets	<u>1,029,311</u>	<u>162,317</u>	<u>1,191,628</u>
Noncurrent Assets			
Furniture and equipment, net of accumulated depreciation	37,462	-	37,462
Notes receivable, net	-	70,623	70,623
Total noncurrent assets	<u>37,462</u>	<u>70,623</u>	<u>108,085</u>
Deferred Outflows of Resources			
Pension plans	121,680	-	121,680
Total assets and deferred outflows of resources	<u>\$ 1,188,453</u>	<u>\$ 232,940</u>	<u>\$ 1,421,393</u>

See Notes to Financial Statements

North Dakota Board of Nursing  
Balance Sheet – Enterprise Funds  
June 30, 2016

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2016 Total</u>
<b>Liabilities and Net Position</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 26,744	\$ -	\$ 26,744
Accrued liabilities	13,095	-	13,095
Current portion of compensated absences payable	42,000	-	42,000
Unearned revenue	635,255	58,008	693,263
Total current liabilities	<u>717,094</u>	<u>58,008</u>	<u>775,102</u>
<b>Noncurrent Liabilities</b>			
Unearned revenue	166,278	19,930	186,208
Net pension liability	251,158	-	251,158
Compensated absences payable	26,194	-	26,194
Total noncurrent liabilities	<u>443,630</u>	<u>19,930</u>	<u>463,560</u>
Total liabilities	<u>1,160,724</u>	<u>77,938</u>	<u>1,238,662</u>
<b>Deferred Inflows of Resources</b>			
Pension plans	28,982	-	28,982
Total liabilities and deferred inflows of resources	<u>1,189,706</u>	<u>77,938</u>	<u>1,267,644</u>
<b>Net Position</b>			
Net investment in capital assets	37,462	-	37,462
Unrestricted	(38,715)	155,002	116,287
Total net position	<u>(1,253)</u>	<u>155,002</u>	<u>153,749</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,188,453</u>	<u>\$ 232,940</u>	<u>\$ 1,421,393</u>

North Dakota Board of Nursing  
Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Funds  
Year Ended June 30, 2016

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2016 Total</u>
Operating Revenues			
Professional fees	\$ 1,007,834	\$ 76,975	\$ 1,084,809
Center for nursing	268,830	-	268,830
NEL income	80,370	-	80,370
NNAAP testing	38,391	-	38,391
Total operating revenues	<u>1,395,425</u>	<u>76,975</u>	<u>1,472,400</u>
Operating Expenses			
Employee compensation and benefits	765,526	-	765,526
Board expenses	47,942	-	47,942
Rent expense	35,520	-	35,520
Professional fees	73,562	-	73,562
Printing and postage expense	11,794	-	11,794
Office expenses	17,608	-	17,608
Repairs and maintenance	9,500	-	9,500
Miscellaneous expense	30,496	781	31,277
Depreciation expense	28,243	-	28,243
NNAAP testing	97,180	-	97,180
NEL transfer	80,370	-	80,370
Center for nursing	268,830	-	268,830
Employment credit expense	-	87,251	87,251
Total operating expenses	<u>1,466,571</u>	<u>88,032</u>	<u>1,554,603</u>
Operating Gain/(Loss)	<u>(71,146)</u>	<u>(11,057)</u>	<u>(82,203)</u>
Nonoperating Revenue			
Interest income	1,565	636	2,201
Loss on disposal of fixed asset	(21)	-	(21)
Total nonoperating revenue	<u>1,544</u>	<u>636</u>	<u>2,180</u>
Change in Net Position	(69,602)	(10,421)	(80,023)
Net Position, Beginning of Year	<u>68,349</u>	<u>165,423</u>	<u>233,772</u>
Net Position, End of Year	<u>\$ (1,253)</u>	<u>\$ 155,002</u>	<u>\$ 153,749</u>

North Dakota Board of Nursing  
Statement of Cash Flows  
Year Ended June 30, 2016

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2015 Total</u> (Memorandum only)
<b>Cash Flows from Operating Activities</b>			
Receipts of professional fees	\$ 1,048,010	\$ 80,410	\$ 1,072,079
Receipts of NNAAP testing fees	38,101	-	32,227
Receipts of Center of nursing fees	268,830	-	248,970
Payment to center of nursing	(268,830)	-	(248,970)
Payments to suppliers	(315,826)	(781)	(348,683)
Payments to employees	(755,682)	-	(778,928)
	<u>14,603</u>	<u>79,629</u>	<u>(23,305)</u>
<b>Net Cash Provided by (used for) Operating Activities</b>			
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of property and equipment	-	-	(27,036)
	<u>-</u>	<u>-</u>	<u>(27,036)</u>
<b>Cash Flows from Investing Activities</b>			
Issuance of notes receivable	-	(75,217)	(84,710)
Payment received on note receivable	-	5,522	2,218
Interest received	1,565	636	1,710
Purchase of certificates of deposit	74,331	-	(1,083)
	<u>75,896</u>	<u>(69,059)</u>	<u>(81,865)</u>
<b>Net Cash Provided by (used for) Investing Activities</b>			
<b>Net Change in Cash and Cash Equivalents</b>			
	90,499	10,570	(132,206)
<b>Cash and Cash Equivalents, Beginning of Year</b>			
	<u>217,228</u>	<u>81,003</u>	<u>430,437</u>
<b>Cash and Cash Equivalents, End of Year</b>			
	<u>\$ 307,727</u>	<u>\$ 91,573</u>	<u>\$ 298,231</u>

North Dakota Board of Nursing  
Statement of Cash Flows  
Year Ended June 30, 2016

	<u>General</u>	<u>Nursing Education Loan Fund</u>	<u>2015 Total</u> (Memorandum only)
Reconciliation of Operating Gain/(Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Loss	\$ (71,146)	\$ (11,057)	\$ (85,429)
Adjustments to reconcile operating income			
Depreciation	28,243	-	29,100
Loss on disposal of capital assets	21	-	-
Adjustment to pension expense	5,335	-	(10,619)
Employment credit expense	-	87,251	76,610
Changes in assets and liabilities			
Accounts receivable	(455)	40	2,543
Prepaid asset	-	-	-
Accounts payable	7,995	-	(3,904)
Compensated absences payable	8,455	-	(30,976)
Accrued liabilities	(4,146)	-	1,658
Unearned revenue	40,301	3,395	(2,288)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 14,603</u>	<u>\$ 79,629</u>	<u>\$ (23,305)</u>



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

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

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

**Reporting Entity**

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

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

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

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

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

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

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

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

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

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

The Board reports the following major proprietary funds:

**Proprietary Funds**

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

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

**Budget**

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

**Cash**

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

**Investments**

The Board’s investments consist entirely of certificates of deposit, and are reported at fair value.

**Fixed Assets and Depreciation**

Fixed assets are defined by the North Dakota Board of Nursing as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Furniture and Equipment	3-7 years
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### **Compensated Absences**

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

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

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

### **Pensions**

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

### **Deferred Outflows and Inflows of Resources**

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The North Dakota Board of Nursing has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the balance sheet.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The North Dakota Board of Nursing has one item that qualifies for reporting in this category, which is changes in the net pension liability not included in pension expense reported in the balance sheet.

### **Revenue Recognition**

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

**Estimates**

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

**Subsequent Events**

The Board has evaluated subsequent events through October 28, 2016, the date which the financial statements were available to be issued.

**Note 3 - Deposits and Investments**

**Deposits**

According to North Dakota Century Code 54-06-08.1, the Board may bank at the state-owned and operated Bank of North Dakota, without having collateral to secure the deposits. According to North Dakotas Century Code 54-44-12, the Board may also deposit moneys in any depository selected by the Board of Directors, however, these funds must be collateralized. The Board receives interest for funds on deposit in all accounts, except for its checking accounts. The Board considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. As of June 30, 2016, the Board has bank deposits with a carrying amount of \$399,300.

Cash deposits at the Bank of North Dakota recorded as cash and cash equivalents	\$ 318,230
Cash deposits at Kirkwood Bank and Trust recorded as cash and cash equivalents	81,070
	\$ 399,300

**Custodial and Concentration of Credit Risk**

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

**Investments**

As of June 30, 2016, the Board had investments with a fair value of \$720,790. These investments are held at the Bank of North Dakota, Kirkwood Bank and Trust, Dakota Community Bank, and BNC National Bank and consist of certificates of deposit with a maturity date of one year or less.

Certificates of Deposit at the Bank of North Dakota	\$ 200,562
Certificates of Deposit at Kirkwood Bank and Trust	267,996
Certificates of Deposit at Dakota Community Bank	176,062
Certificates of Deposit at BNC National Bank	76,170
	\$ 720,790
	\$ 720,790

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

**Note 4 - Notes Receivable**

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

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

Notes receivable as of June 30, 2016 totaled the following:

Notes receivable	\$ 144,739
Allowance for doubtful notes	(3,492)
	141,247
Less current portion	70,624
	\$ 70,623

**Note 5 - Fixed Assets**

A statement of changes in fixed assets for the year ended June 30, 2016 is as follows:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
Furniture and equipment	\$ 184,865	\$ -	\$ (1,481)	\$ 183,384
Accumulated depreciation	(119,139)	(28,243)	1,460	(145,922)
	\$ 65,726	\$ (28,243)	\$ (21)	\$ 37,462

**Note 6 - Long-Term Debt**

Long-term debt consists partly of compensated absences and partly of the net pension liability. A summary of changes in long-term debt for the year ended June 30, 2016 is as follows:

Compensated absences	
Balance - July 1	\$ 59,739
Salary adjustment	3,703
Annual leave accrued	45,631
Annual leave used	(40,953)
Sick leave accrued	1,417
Sick leave used	(1,343)
Employee payout	-
Taxes on payout	-
Balance - June 30	68,194
Current portion	(42,000)
Long-term compensated absences balance	26,194
Net pension liability	
Balance - July 1	212,162
Adjustment to record net pension liability in the CY	38,996
Balance - June 30	251,158
Long-term liabilities	\$ 277,352

## **Note 7 - Pension Plans**

The North Dakota Board of Nursing participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. The following is a brief description of the plan.

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 seven 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; and one member elected by the retired public employees.

### **Pension Benefits**

Benefits are set by statute. NDPERS has no provision 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). The annual 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.

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 credit 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 equal to the member's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are 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 the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

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 25 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

### **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.

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

At June 30, 2016, the North Dakota Board of Nursing reported a liability of \$251,158 for its proportionate share of the PERS's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The North Dakota Board of Nursing's proportion of the net pension liability was based on North Dakota Board of Nursing's share of covered payroll during the measurement period for employer payroll paid dates from July 01, 2014 through June 30, 2015, relative to the total covered employee payroll for all of NDPERS's participating Main System employers. At June 30, 2015, the North Dakota Board of Nursing's proportion was .036936%.

For the year ended June 30, 2016, the North Dakota Board of Nursing recognized pension expense of \$28,012 for its proportionate share of PERS's pension expense.



At June 30, 2016, the North Dakota Board of Nursing reported its proportionate share of PERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,286	\$ (5,302)
Changes in actuarial assumptions	-	(22,377)
Difference between projected and actual investment earnings	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,574	(1,303)
Contributions to NDPERS subsequent to the measurement date	92,820	-
Total	\$ 121,680	\$ (28,982)

\$92,820 reported as deferred outflows of resources related to pensions resulting from the North Dakota Board of Nursing's contributions to NDPERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as outflows and inflows of resources related to NDPERS pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2017	\$ (2,468)
2018	(2,468)
2019	(2,468)
2020	7,187
2021	95

### Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50% per anum
Investment rate of return	8.00% net of investment expenses
Projected salary increases	Ranges from 7.25% to 20.00% for new members, and 5.00% to 10.00% for members with 3 or more years of service

For active members, inactive members, and healthy retirees, mortality rates were based on RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 01, 2015 funding actuarial valuation for NDPERS.

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 an expected long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

### **Discount Rate**

The discount rate used to measure the total pension liability was 8% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates equal to those based on the July 01, 2015 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from the future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$ 385,139	\$ 251,158	\$ 141,538

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

**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 following are funds/pools established by the State for risk management issues:

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

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

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

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

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

**Note 9 - Operating Lease**

The Board leases its office space under an operating lease until June 2017. The future minimum rental payments required under the operating lease for the years ended June 30 is as follows:

2017	\$	36,840
2018		<u>36,840</u>
	\$	<u><u>73,680</u></u>

Expenses for rent amounted to \$36,840 for the year ended June 30, 2016.



Required Supplementary Information  
June 30, 2016

# North Dakota Board of Nursing

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

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion (Percentage) of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)</u>	<u>Employer's Covered-Employee Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
NDPERS	6/30/2015	<u>0.036936%</u>	<u>\$ 251,158</u>	<u>\$ 329,053</u>	<u>76.33%</u>	<u>77.15%</u>
NDPERS	6/30/2014	<u>3.342600%</u>	<u>\$ 212,162</u>	<u>\$ 281,580</u>	<u>75.35%</u>	<u>77.70%</u>

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

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered-Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/d)</u>
NDPERS	6/30/2016	<u>\$ 92,820</u>	<u>\$ (92,820)</u>	<u>\$ -</u>	<u>\$ 564,922</u>	<u>16.43%</u>
NDPERS	6/30/2015	<u>\$ 93,554</u>	<u>\$ (93,554)</u>	<u>\$ -</u>	<u>\$ 329,053</u>	<u>28.43%</u>

**Notes to schedules:**

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



Supplementary Information  
June 30, 2016

# North Dakota Board of Nursing

North Dakota Board of Nursing  
Schedule of Revenues and Expenses – General Fund – Budget and Actual  
Year Ended June 30, 2016

	General Fund		
	Original and Final Budget	Actual	Variance
Revenues			
Endorsements			
Professional	\$ 90,750	\$ 83,463	\$ (7,287)
Practical	17,600	16,363	(1,237)
Re-registration			
Professional	532,000	490,320	(41,680)
Practical	112,000	109,795	(2,205)
Exams			
Professional	67,100	71,500	4,400
Practical	35,200	32,038	(3,162)
APRN License Renewal	23,000	20,690	(2,310)
Reactivation fee	4,500	4,170	(330)
Advance licensure	14,150	10,713	(3,437)
Prescriptive authority	22,000	23,013	1,013
Unlicensed assistive person renewal/late/ reactivation	100	-	(100)
Unlicensed assistive person registry	14,700	17,440	2,740
Medication assistant	3,600	5,240	1,640
Labels and mailing list	3,000	3,204	204
Disciplinary fees	3,000	3,190	190
Penalty fees	35,000	29,715	(5,285)
Encumbrance fees	8,640	10,290	1,650
School surveys	2,500	2,250	(250)
Publications, verifications, and other fees	500	1,425	925
Course review fee	1,100	1,600	500
Continuing education presentations	500	100	(400)
Continuing education Approval Fee	10,000	12,085	2,085
NNAAP testing	30,000	38,391	8,391
NEL application fee	975	840	(135)
CHRC Processing Fee	46,900	48,100	1,200
Interest	1,500	1,565	65
Center for Nursing	277,050	268,830	(8,220)
NEL Income	82,500	80,370	(2,130)
Other	9,000	10,269	1,269
Total revenues	<u>1,448,865</u>	<u>1,396,969</u>	<u>(51,896)</u>



North Dakota Board of Nursing  
Schedule of Revenues and Expenses – General Fund – Budget and Actual  
Year Ended June 30, 2016

	General Fund		
	Original and Final Budget	Actual	Variance
Operating Expenses			
Salaries	606,100	613,001	(6,901)
Benefits	120,700	123,775	(3,075)
EAP Program Premium	150	149	1
Health insurance	108,500	109,631	(1,131)
Life insurance	100	130	(30)
Workers compensation	1,500	840	660
Staff development	500	640	(140)
Total employee compensation and benefits	<u>837,550</u>	<u>848,166</u>	<u>(10,616)</u>
Board staff expenses	10,500	10,942	(442)
Board meeting expenses	46,250	37,000	9,250
Meeting Expenses	250	-	250
Total board expenses	<u>57,000</u>	<u>47,942</u>	<u>9,058</u>
Rent	35,450	35,520	(70)
Phone expense	5,500	4,121	1,379
Office supplies expense	6,000	5,486	514
Records storage expense	500	208	292
Postage expense	10,500	10,512	(12)
Printing expense	1,200	1,282	(82)
Publications and subscriptions	500	496	4
Service contract	1,000	1,039	(39)
Repairs and parts	250	329	(79)
Office insurance	1,500	1,535	(35)
Disciplinary process	1,500	81	1,419
NCSBN	6,000	6,000	-
Bank charges	100	50	50
Audit fees	9,100	9,100	-
Legal fees	51,000	54,615	(3,615)
Consultant	5,000	5,703	(703)
Technology maintenance	7,200	6,753	447
On-line system payments	25,000	24,825	175
Equipment expense	2,700	3,489	(789)
Internet service & hosting	13,000	12,417	583
Office maintenance	3,300	3,190	110
Program enhancements	12,000	4,144	7,856
Administrative rule changes	2,500	2,125	375
Miscellaneous	500	-	500
Center for nursing	277,050	268,830	8,220
NEL Transfer	82,500	80,370	2,130
Depreciation expense	-	28,243	(28,243)
Total other operating expenses	<u>560,850</u>	<u>570,463</u>	<u>(9,613)</u>

North Dakota Board of Nursing  
 Schedule of Revenues and Expenses – General Fund – Budget and Actual  
 Year Ended June 30, 2016

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	General Fund		
	Original and Final Budget	Actual	Variance
Total operating expenses	1,455,400	1,466,571	(11,171)
Revenues over Expenses	\$ (6,535)	\$ (69,602)	\$ (40,725)

<u>Names and Address</u>	<u>Office</u>	<u>Expiration Date of Term</u>
<b>Advanced Practice Registered Nurse</b>		
Paula Schmalz Fargo, ND		June 30, 2017
<b>Registered Nurses</b>		
Dan Rustvang Grand Forks, ND	President	June 30, 2016
Jane Christianson Bismarck, ND	Vice President	June 30, 2018
Janelle Holth Fargo, ND		June 30, 2017
Michael Hammer Velva, ND		June 30, 2019
Mary Beth Johnson Bismarck, ND		June 30, 2018
<b>Licensed Practical Nurses</b>		
Bonny Mayer Minot, ND		June 30, 2019
Diane Gravely (resigned 9/4/2015) Fargo, ND		
Wendi Johnston Kathryn, ND (appointed 10/29/15 to fill unexpired term of Diane Graveley)		June 30, 2016
<b>Public Member</b>		
Clara Sue Price Minot, ND	Treasurer	June 30, 2017
<b>Office Staff</b>		
Stacey Pfenning, APRN, DNP, FNP	Executive Director	
Melissa Hanson, MSN, RN	Associate Director for Discipline	
Tammy Buchholz, MSN, RN, CNE	Associate Director for Education	
Patricia Hill, RN	Assistant Director for Practice & Discipline	
Julie Schwan	Administrative Services Coordinator	
Gail Rossman	Technology Specialist	
Sally Bohmbach	Administrative Assistant	
Kathy Zahn	Administrative Assistant	



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
North Dakota Board of Nursing  
Bismarck, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major enterprise fund of the North Dakota Board of Nursing as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the North Dakota Board of Nursing’s basic financial statements, and have issued our report thereon dated October 28, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the North Dakota Board of Nursing’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Board of Nursing’s internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Board of Nursing’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying summary of findings that we consider to be a significant deficiency listed as 2016-A.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Dakota Board of Nursing's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Board of Nursing's Response to Finding**

North Dakota Board of Nursing's response to the finding identified in our audit is described in the accompanying summary of audit findings. North Dakota Board of Nursing's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



Bismarck, North Dakota  
October 28, 2016

## Significant Deficiencies

### 2016-A - Preparation of Financial Statements

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

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

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

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

Recommendations: While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Board and changes in reporting requirements.

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