NORTH DAKOTA STATE PLUMBING BOARD
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

North Dakota State Plumbing Board
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the North Dakota State Plumbing Board as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the North Dakota State Plumbing Board's basic financial statements as listed in the table of contents.

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 an opinion 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the North Dakota State Plumbing Board as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the North Dakota State Plumbing Board adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment to GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 10 to the financial statements, the Board has retroactively restated the previously reported Net Position in accordance with this statement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of employer's share of net pension liability and the schedule of employer'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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015 on our consideration of North Dakota State Plumbing Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the North Dakota State Plumbing Board's internal control over financial reporting and compliance.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

December 3, 2015

NORTH DAKOTA STATE PLUMBING BOARD
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents	$ 289,178
Investments - certificates of deposit	446,728
Grant receivable	3,909
Inventory	3,502
Accounts receivable	385
Total current assets	743,702
Capital assets:	
Intangible asset - software	45,590
Automobiles	76,805
Furniture and equipment	24,137
Less accumulated depreciation	(41,206)
Total capital assets	105,326
Other assets:	
Security deposit - rent	770
Total assets	849,798
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow - pension	28,403
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	24,510
Accrued compensated absences	17,278
Total current liabilties	41,788
Non-current liabilities:	
Accrued compensated absences	3,759
Net pension liability	217,728
Total non-current liabilties	221,487
Total liabilities	263,275
DEFERRED INFLOW OF RESOURCES	
Deferred inflow - pension	42,501
Deferred inflow - unearned revenue	305,675
Total deferred inflow of resources	348,176
NET POSITION	
Net investment in capital assets	105,326
Unrestricted	161,424
Total net position	$ 266,750

See Notes to the Financial Statements

NORTH DAKOTA STATE PLUMBING BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Licenses	
Master - new & renewal	$ 122,393
Journeyman - new & renewal	71,974
Apprentice - new & renewal	39,462
Water conditioner contractor/installer	700
Water & sewer contractor/installer/apprentice	53,850
Plumbing certificates	266,590
Plumbing code books and study guides	18,179
North Dakota Department of Health - grant	19,865
Miscellaneous	8,057
Total operating revenues	601,070
OPERATING EXPENSES	
Salaries	331,598
Payroll taxes	24,837
Employee benefits	61,604
Rent	10,395
Telephone	6,173
Office supplies, printing, and postage	11,882
Code books and study guides	10,262
Insurance	1,249
Auto, travel, and board expenses	45,261
Equipment	2,438
Contract labor	24,900
Continuing education	2,620
Legal and audit	1,783
Miscellaneous	564
Pension expense	31,972
Depreciation expense	19,914
Total operating expenses	587,452
Operating income	13,618
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,154
Loss on trade of automobile	(802)
Total non-operating revenues	1,352
Change in net position	14,970
Net position - July 1, as originally stated	488,386
GASB 68 and 71 Adjustment - See Note 10	(236,606)
Net position - July 1, restated	251,780
Net position - end of year	$ 266,750

See Notes to the Financial Statements

NORTH DAKOTA STATE PLUMBING BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash flows from operating activities:	
Cash received from licenses and certificates	$ 600,529
Cash received from grants	20,644
Cash received from other operating activities	26,236
Cash payments to suppliers for goods and services	(150,322)
Cash payments to employees for services	(396,139)
Net cash provided (used) by operating activities	100,948
Cash flows from capital and related financing activities:	
Purchase of automobile	(35,070)
Purchase of furniture and equipment	(3,446)
Additions to intangible asset - software	(19,840)
Proceeds from sale of automobile	5,000
Net cash provided (used) by capital and related financing activities	(53,356)
Cash flows from by investing activities:	
Purchase of investments	(21,930)
Interest collected	2,154
Net cash provided (used) by investing activities	(19,776)
Net change in cash and cash equivalents	27,816
Cash and cash equivalents - beginning of year	261,362
Cash and cash equivalents - end of year	$ 289,178
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 13,618
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	19,914
Deferred inflow - unearned revenue	45,905
Deferred inflow - pension	42,501
Deferred outflow - pension	(13,186)
Effects on cash flows due to changes in:	
Grants receivable	779
Accounts receivable	(345)
Inventory	6,062
Accounts payable and accrued expenses	17,952
Net pension liability	(34,095)
Accrued compensated absences	1,843
Net cash provided (used) by operating activities	$ 100,948
Supplemental non-cash disclosure:	
Loss on trade of automobile	$ 802

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principle Activity

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

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

The financial statements of the North Dakota State Plumbing Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. These financial statements represent the financial position, results of operations and cash flows for the Board for the fiscal year ended June 30, 2015. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Reporting Entity

In evaluating how to define the Board for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 '*The Financial Reporting Entity'.* The Board has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Board. Based upon the application of these criteria, the Board is not includable as a component unit within another reporting entity and the Board does not have a component unit.

Basis for Accounting

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

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

The Board reports the following major proprietary fund:

Operating Fund

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

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

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

Budget

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivables

Accounts receivable consist of license fees to be collected as of year-end. No allowance for doubtful accounts is recorded for the year ended June 30, 2015.

Capital Assets

Capital assets are defined by the Board as assets with an initial, individual cost of $500 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 assets or materially extend assets lives are not capitalized.

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

Description	Estimated Useful Life
Automobiles	5 years
Furniture and equipment	3-7 years
Intangible asset - software	5 years

Inventory

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board has two types of items that qualify for reporting in this category. Accordingly, the item, *deferred inflow – unearned revenue*, is reported as deferred inflow of resources for the Statement of Net Position as this amount represents unearned inspection revenue of $158,292 and unearned license revenue of $147,383 at June 30, 2015. The unearned inspection revenues are the result of deposits from plumbers held by the Board for future issuance of certificates. The unearned license revenues are the result of the license period overlapping two fiscal years. The portion applicable to the next fiscal year is unearned license revenue in the current fiscal year. The second item, *deferred inflow – pension*, represents actuarial differences within NDPERS pension plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Accrued Compensated Absences

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

Pensions

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

Estimates

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

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2015, the Board's cash, cash equivalents, and investments consisted of the following:

Cash and cash equivalents:	
Checking accounts	$ 24,664
Savings accounts	264,514
Investments:	
Certificates of deposit	446,728
Totals	$ 735,906

At June 30, 2015, the interest rates earned on those monies ranged between 0.05% and 0.77%.

Custodial Credit Risk – Deposits

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

North Dakota State Plumbing Board maintains interest bearing cash on deposit at various financial institutions. The amounts on deposit were insured by the National Credit Union Administration (NCUA) or FDIC up to $250,000 per financial institution. At June 30, 2015, the Board had $95,020 of deposits in excess of NCUA/FDIC coverage.

State statute requires the market value of collateral pledged must equal 110% of the deposits not covered by insurance or pledged securities. During the year ended June 30, 2015, the Board had collateral pledged in excess of the 110% of the deposits not covered by insurance as required by state statute.

NOTE 3 GRANT RECEIVABLES

The grant receivables as of June 30, 2015 are scheduled as follows:

State of North Dakota:	
Department of Health - Public Water Supervision Program	$ 3,909

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	7/1/14	Additions	Deletions	6/30/15
Capital assets not being depreciated:				
Construction in progress	$ 25,750	$ 19,840	$ (45,590)	$ -
Capital assets being depreciated:				
Intangible asset - software	-	45,590	-	45,590
Furniture and equipment	20,691	3,446	-	24,137
Automobiles	70,892	41,070	(35,157)	76,805
	91,583	90,106	(35,157)	146,532
Less accumulated depreciation for:				
Intangible asset - software	-	(760)	-	(760)
Furniture and equipment	(13,423)	(3,085)	-	(16,508)
Automobiles	(31,224)	(16,069)	23,355	(23,938)
	(44,647)	(19,914)	23,355	(41,206)
Net investment in capital assets	$ 72,686	$ 90,032	$ (57,392)	$ 105,326

NOTE 5 LEASES AND LEASE COMMITMENTS

The Board leases office space under an operating lease. The lease, classified as an operating lease, required monthly payments of $770 from October 2, 2008 through June 30, 2011 and has continued since on a month-to-month basis. Beginning May 1, 2014, the monthly rent increased to $866 per month. The Board may terminate this lease on thirty days written notice.

Total rent expense for the year ended June 30, 2015 was $10,395.

The Board is not committed to pay future minimum lease payments as of June 30, 2015.

NOTE 6 ACCRUED COMPENSATED ABSENCES

A summary of changes in accrued compensated absences for the year ending June 30, 2015 is as follows:

	Balance 07/01/14	Additions	Reductions	Balance 06/30/15	Due Within One Year
Compensated absences	$ 19,194	$ 18,684	$ (16,841)	$ 21,037	$ 17,278

NOTE 7 RISK MANAGEMENT

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

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

The Board pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a twelve month period. The State Bonding Fund currently provides the Board with blanket fidelity bond coverage in the amount of $200,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 8 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

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

Refunds of Member Account Balance

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

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
12 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, 2015, the Employer reported a liability of $217,728 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2014, the Employer's proportion was 0.034303 percent.

For the year ended June 30, 2015, the Employer recognized pension expense of $21,543. At June 30, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,059	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(42,501)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	21,344	-
Total	$ 28,403	$ (42,501)

$21,344 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ended June 30:	
2016	$ (9,123)
2017	(9,123)
2018	(9,123)
2019	(9,123)
2020	1,050

Actuarial Assumptions

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the 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).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, 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 the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	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 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, 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 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 for current plan members as of June 30, 2014. 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, 2014.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	$ 335,802	$ 217,728	$ 119,003

Pension plan fiduciary net position

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

Payables to the pension plan

No amount was payable to the pension plan at the fiscal year end.

NOTE 9 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 72, *Fair Value Measurement and Application,* addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

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

NOTE 10 GASB 68 ADJUSTMENT

The Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* during the year ended June 30, 2015. These statements required the Board to change the accounting for the pension costs related to the Board's participation in the Public Employees Retirement System. In addition, the Board also recognized a net pension liability, deferred outflow of resources, and deferred inflows of resources related to the Board's proportionate share of the collective amounts in PERS.

As a result, a prior period adjustment was recorded to recognize net pension liability and deferred outflows as of July 1, 2014. The cumulative effect of implementing this GASB statement was an increase in net pension liability of $251,823 and increase in deferred outflows of $15,217 on the Statement of Net Position. The adjustments resulted in a net decrease in net position of $236,606 on the Statement of Activities.

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

	2015
Employer's proportion of the net pension liability (asset)	0.034303%
Employer's proportionate share of the net pension liability (asset)	$ 217,728
Employer's covered-employee payroll	$ 288,967
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.70%

*The Board implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

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

		2015
Statutorily required contribution	$	20,574
Contributions in relation to the statutorily required contribution	$	(20,574)
Contribution deficiency (excess)	$	-
Employer's covered-employee payroll	$	288,967
Contributions as a percentage of covered-employee payroll		7.12%

*The Board implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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*

The North Dakota State Plumbing Board
Bismarck, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the North Dakota State Plumbing Board, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise North Dakota State Plumbing Board's basic financial statements and have issued our report thereon dated December 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Dakota State Plumbing Board'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 North Dakota State Plumbing Board's internal control. Accordingly, we do not express an opinion on the effectiveness of North Dakota State Plumbing Board's internal control.

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

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as 2015-003 in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as 2015-001 and 2015-002 in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

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

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

Purpose of this Report

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

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

December 3, 2015

NORTH DAKOTA STATE PLUMBING BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

2015-001

Criteria
An appropriate system of internal control requires the entity to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the entity's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition
The Board's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the entity does not have internal resources to prepare full-disclosure financial statements for external reporting.

Cause
The Board's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect
An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with accounting principles generally accepted in the United States of America. However, the entity is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation
We recommend that the entity reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

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

2015-002

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

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

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

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

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

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

2015-003 – Material Weakness

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

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

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

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

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

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