



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## North Dakota Beef Commission

Audit Report for the Fiscal Years Ending June 30, 2022 and June 30, 2021

Client Code 624



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## INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Assembly

Members of the North Dakota Beef Commission

Nancy Jo Bateman, North Dakota Beef Commission Executive Director

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the Operating Fund of the North Dakota Beef Commission, as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the North Dakota Beef Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Operating Fund of the North Dakota Beef Commission, as of June 30, 2022 and 2021, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of the Beef Commission Fund. They do not purport to, and do not, present fairly the financial position of the state of North Dakota as of June 30, 2022 or 2021, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

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

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

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

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

In performing an audit in accordance with GAAS and Government Auditing Standards we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the North Dakota Beef Commission's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota Beef Commission's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Share of Net Other Post-Employment Benefits (OPEB) Liability, and the Schedule of Employer Contributions for both pensions and OPEB be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing 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 the auditing standards generally accepted in the United States of America, which consisted of inquires 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 information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Beef Commission's basic financial statements. The Funding Source Balance Sheet and Funding Source Statement of Revenues, Expenditures, and Changes in Fund Balances for fiscal years 2022 and 2021 are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying



accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Funding Source Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of the North Dakota Beef Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota Beef Commission’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota Beef Commission’s internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor  
Bismarck, North Dakota  
October 21, 2022

**FINANCIAL STATEMENTS**  
**Comparative Balance Sheet**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 453,567	\$ 892,422
Investments	450,000	450,000
Assessments receivable	96,135	151,062
Interest receivable	251	125
Total assets	\$ 999,953	\$ 1,493,609
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 169,942	\$ 165,628
Accrued payroll	31,235	24,908
Due to Cattlemen's Beef Board	49,791	73,987
Due to the National Cattlemen's Beef Association	20,109	36,794
Due to other states	742	1,536
Total liabilities	\$ 271,819	\$ 302,853
 Fund Balance:		
Restricted	\$ 728,134	\$ 1,190,756
Total fund balance	\$ 728,134	\$ 1,190,756
Total liabilities and fund balance	\$ 999,953	\$ 1,493,609

See Notes to the Financial Statements.

**Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance**  
For the Fiscal Year Ended

	<u>2022</u>	<u>2021</u>
<u>Revenues</u>		
Gross assessment revenues	\$ 2,376,360	\$ 2,504,766
Less:		
Refunds	(152,349)	(180,193)
Assessment revenue remitted to other states	(14,380)	(13,858)
Assessment revenue remitted to Cattlemen's Beef Board	(593,583)	(623,987)
Net assessment revenues	\$ 1,616,048	\$ 1,686,728
Interest income	\$ 2,379	\$ 4,990
Other revenue	7,728	8,310
Total revenues	\$ 1,626,155	\$ 1,700,028
 <u>Expenditures</u>		
Program expenditures:		
International promotion	\$ 268,930	\$ 301,100
Promotion	276,796	324,167
Domestic/International Special Project	-	-
Industry Information	52,979	69,789
Research	289,923	386,521
Consumer information	357,097	152,610
National program development	290,973	311,356
Total program expenditures	\$ 1,536,698	\$ 1,545,543
Administration	552,079	450,731
Total expenditures	\$ 2,088,777	\$ 1,996,274
Revenue Under Expenditures	\$ (462,622)	\$ (296,246)
Fund Balance, Beginning of Year	\$ 1,190,756	\$ 1,487,002
Fund Balance, End of Year	\$ 728,134	\$ 1,190,756

See Notes to the Financial Statements.



## Notes to the Financial Statements

### NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the North Dakota Beef Commission (hereafter Commission) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### A. REPORTING ENTITY

For financial reporting purposes, the Commission includes all funds, programs, and activities over which it is financially accountable. The Commission does not have any component units as defined by the Government Accounting Standards Board. The Commission is part of the state of North Dakota as a reporting entity. The financial statements report the financial position as well as all revenue and expenditure activity in the operations program.

The Commission was established by North Dakota Century Code (NDCC) chapter 4.1-03, and is vested with the powers to collect and expend an assessment of two dollars for each head of cattle sold within the state or from the state. The Commission's responsibilities are to provide and participate in programs to increase the consumption of domestic beef through such means as advertising, research, consumer information, industry information, sales promotion, and education, but at no time may false or unwarranted claims be made on behalf of the beef industry. Additional responsibilities are to support beef promotion, research, and education activities of the national beef promotion and marketing organizations.

#### B. REPORTING STRUCTURE

The financial statements include all activities of the reporting entity as defined above. In accordance with NDCC section 4.1-03-16, these activities are funded on a continuing appropriation basis from a special revenue fund (the Beef Commission fund).

#### C. FUND FINANCIAL STATEMENTS

Separate fund financial statements are provided for the Commission's governmental fund.

#### D. FUND ACCOUNTING STRUCTURE

The Commission uses a fund to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The Commission reports their operating fund as a major governmental fund. It is used to account for the collection of assessments and transactions to provide and participate in programs to increase the use and consumption of beef through such means as advertising, research, consumer information, industry information, sales promotion, and education of the beef industry.

#### **E. BASIS FOR ACCOUNTING**

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days of year end. Major revenues that are determined to be susceptible to accrual are assessments and interest.

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

#### **F. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all funds deposited with the Bank of North Dakota.

#### **G. INVESTMENTS**

Investments include certificates of deposit that are reported at fair value.

#### **H. RECEIVABLES**

Receivables include assessments receivable on cattle sales and interest receivable on investments.

#### **I. ACCOUNTS PAYABLE**

Accounts payable consists of amounts owed for refunds, travel reimbursements, goods, and services received prior to June 30, 2022 and chargeable to the expenditures for the year then ended but paid subsequent to that date.

#### **J. COMPENSATED ABSENCES**

Annual and sick leave are a part of permanent employees' compensation as set forth in section 54-06-14 of the North Dakota Century Code. In general, accrued annual leave cannot exceed 30 days at April 30, while accrued sick leave is not limited. Employees are entitled to earn leave based on tenure of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement, per section 54-06-14 of the North Dakota Century Code. Employees vest in sick leave at ten years of credible service, at which time the employer is liable for 10%

of the accumulated unused sick leave.

## **K. PENSIONS**

For purposes of measuring the net pension liability 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.

## **L. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

For purposes of measuring the net OPEB liability and OPEB expense, information about the fiduciary net position of NDPERS and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **M. FUND BALANCE**

The difference between fund assets and liabilities is "Fund Balance" on the governmental fund statements. Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned, or unassigned. All of the Commission's fund balance is considered restricted, which is made up of \$281,865 (National) and \$446,269 (State) for a total restricted fund balance of \$728,134. The Commission's fund balance is restricted by enabling legislation contained in the NDCC Chapter 4.1-03 to be spent only pursuant to that Chapter.

## **N. NEW ACCOUNTING PRONOUNCEMENTS**

During fiscal year 2022, the Commission adopted GASB Statement No. 87, Leases, GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, GASB Statement No. 92, Omnibus 2020, and GASB Statement No. 93, Replacement of Interbank Offered Rates.

The Commission will implement the following new pronouncements for fiscal years ending after 2022: GASB Statement No. 91, Conduit Debt Obligations, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, GASB Statement No. 96, Subscription-Based Information Technology Arrangements, GASB Statement No. 99, Omnibus 2022, GASB Statement No. 100, Accounting Changes and Error Corrections, and GASB Statement No. 101, Compensated Absences. The effect that these GASB Statements will have on future financial statements has not yet been determined.

## NOTE 2 | DEPOSITS AND INVESTMENTS

### A. Deposits

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC section 21-04-02 provides that public funds belonging to or in the custody of the state must be deposited in the Bank of North Dakota. Also, NDCC section 6-09-07 states, “all state funds . . . must be deposited in the Bank of North Dakota” or must be deposited in accordance with constitutional and statutory provisions.

The carrying amount of deposits was \$453,567 and \$892,422 at June 30, 2022 and 2021, respectively. All deposits are exposed to custodial credit risk because they are not covered by depository insurance and the deposits are uncollateralized. All of the Commission’s deposits are at the Bank of North Dakota. Deposits with the Bank of North Dakota are considered uninsured; however, these deposits are guaranteed by the state of North Dakota (NDCC section 6-09-10).

### B. Investments

All investments must be short-term (one year or less), risk free (federally insured or fully collateralized), and interest bearing. The fair value of investments was \$450,000 and \$450,000 at June 30, 2022 and 2021, respectively. All investments were certificates of deposit insured by the U.S. government. NDCC section 4.1-44-03 states the State Treasurer shall credit 20% of the investment income to the general fund in the state treasury as payment for services when provided without cost to the Commission, the remaining 80% is credited to the beef fund.

## NOTE 3 | LONG TERM LIABILITIES

A summary of changes in the long-term liabilities for the fiscal years ended June 30, 2022 and 2021 is presented as follows:

	<u>Balance 7/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2022</u>	<u>Current Portion</u>
Compensated absences	<u>\$ 39,108</u>	<u>\$ 16,199</u>	<u>\$ 11,781</u>	<u>\$ 43,526</u>	<u>\$ 3,647</u>
	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2021</u>	<u>Current Portion</u>
Compensated absences	<u>\$ 40,088</u>	<u>\$ 6,114</u>	<u>\$ 7,094</u>	<u>\$ 39,108</u>	<u>\$ 3,445</u>

## NOTE 4 | PENSIONS

The Commission participates in the North Dakota Public Employees Retirement System (NDPERS) - 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.

## **A. Description of Pension 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 nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

## **B. Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. 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.

## **C. Death and Disability Benefits**

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

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

#### **D. 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.

#### **E. Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation for members enrolled prior to January 1, 2020. Member contribution rates are 7% and employer contribution rates are 8.26% for members enrolled after January 1, 2020.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At June 30, 2022 and June 30, 2021, the Commission has a long-term liability of \$189,907 and \$708,673, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and June 30, 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission'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, 2021, the Commission's proportion was 0.01822 percent, which was an decrease of 0.004306 percent from its proportion measured as of June 30, 2020.

While the Commission's financial statements present expenditures on a modified accrual



basis, the accrual based pension expense for the year ended June 30, 2022 is \$32,066 and \$143,481 for the year ended June 30, 2021.

**Actuarial assumptions.** The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

**Discount rate.** For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient

to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

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

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Commission's proportionate share of the net pension liability	\$302,016	\$189,907	\$96,559

The following presents the Commission's proportionate share of the net pension liability as of June 30, 2020 calculated using the discount rate of 4.64 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	<b>1% Decrease (3.64%)</b>	<b>Current Discount Rate (4.64%)</b>	<b>1% Increase (5.64%)</b>
Commission's proportionate share of the net pension liability	\$919,450	\$708,673	\$536,206

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

## **NOTE 5 | OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The Commission participates in the North Dakota Public Employees' Retirement System (NDPERS), other post employment benefits (OPEB) administered by the state of North Dakota. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

### **A. Description of OPEB Plan**

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

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

### **B. OPEB Benefits**

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

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving

disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

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

### **C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2022 and June 30, 2021, the Commission has a long-term liability of \$7,515 and \$13,982, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and June 30, 2020, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net OPEB liability was based on the Commission's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021 the Commission's proportion was 0.013516 percent which was an decrease of 0.003105 from its proportion measured as of June 30, 2020.

While the Commission's financial statements present expenditures on a modified accrual basis, the accrual-based OPEB expense for the year ended June 30, 2022 is \$679 and \$2,049 for the year ended June 30, 2021.

*Actuarial assumptions.* The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	40%	0.50%
International Equities	21%	6.25%

**Discount rate.** The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Commission's proportionate share of the net OPEB liability	\$11,146	\$7,515	\$4,443

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Commission's proportionate share of the net OPEB liability	\$18,337	\$13,982	\$10,298

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

## NOTE 6 | RISK MANAGEMENT

The Commission 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 and its agencies' employees and the university system. All state agencies participate in the RMF and their fund contribution is determined using a projected cost allocation approach. The statutory liability of the state is limited to a total of \$375,000 per person and \$1,000,000 per occurrence.

The Commission also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Commission pays an annual premium to the Fire and Tornado Fund to cover for loss to business personal property, up to a limit of \$100,000. Replacement cost coverage is provided by estimating the 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 \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the agency with blanket fidelity bond coverage in the amount of \$973,655 per employee. The State Bonding Fund does not currently charge any premium for this coverage.

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



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

#### **NOTE 7 | RELATED PARTIES**

The Cattlemen's Beef Promotion and Research Board (CBPRB) is a related party in that the Beef Promotion and Research Act of 1985 and the Beef Promotion and Research Order require the Commission to collect one dollar per head of cattle sold and remit fifty cents to the CBPRB. The assessments collected and remitted to the CBPRB were \$593,583 and \$623,987 for fiscal years 2022 and 2021, respectively. The amount due to the CBPRB was \$49,791 and \$73,987 at June 30, 2022 and 2021, respectively.

The North Dakota Beef Commission has approved grants for projects being completed by North Dakota State University. As of June 30, 2022, all prior approved research grants to North Dakota State University were completed and paid. As of June 30, 2021, \$816,126 had been disbursed and \$69,849 was committed.

In February 2022, the North Dakota Beef Commission pledged \$1,000,000 to North Dakota State University Foundation for Peltier Complex development which would be made in \$200,000 annual payments, the first of which was made on June 23, 2022.

#### **NOTE 8 | COMMITMENTS AND CONTINGENCIES**

The North Dakota Beef Commission has entered into several grant agreement contracts to help fund various research projects. As of June 30, 2022, the total outstanding balance of these contracts was \$26,295.

As noted in Note 7 above, the North Dakota Beef Commission has a remaining commitment of \$800,000 as of June 30, 2022 to North Dakota State University Foundation for Peltier Complex development.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.018220%	\$ 189,907	\$ 206,316	92.05%	78.26%
2021	0.022526%	708,673	248,484	285.20%	48.91%
2020	0.017725%	207,750	184,369	112.68%	71.66%
2019	0.017510%	295,500	179,880	164.28%	62.80%
2018	0.016960%	272,603	173,136	157.45%	61.98%
2017	0.016180%	157,690	163,056	96.71%	70.46%
2016	0.013468%	91,580	119,981	76.33%	77.15%
2015	0.013575%	86,163	114,348	75.35%	77.70%

\*Complete data for this schedule is not available prior to 2015. The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

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

	Statorily required contribution	Contributions in relation to the statorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2022	\$ 15,215	\$ (15,215)	0	\$ 244,814	6.21%
2021	17,595	(17,595)	0	206,316	8.53%
2020	13,423	(13,423)	0	248,484	5.40%
2019	13,249	(13,249)	0	184,379	7.19%
2018	12,808	(12,808)	0	179,880	7.12%
2017	12,554	(12,554)	0	173,136	7.25%
2016	11,805	(11,805)	0	163,056	7.24%
2015	9,114	(9,114)	0	119,981	7.60%

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

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2022**

*Changes of benefit terms.*

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

*Changes of assumptions.*

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

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

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.013516%	\$ 7,515	\$ 147,312	5.10%	76.63%
2021	0.016621%	13,982	189,480	7.38%	63.38%
2020	0.016523%	13,271	184,369	7.20%	63.13%
2019	0.016439%	12,947	179,880	7.20%	61.89%
2018	0.016004%	12,659	173,136	7.31%	59.78%

\*Complete data for this schedule is not available prior to 2018. The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

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

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2022	\$ 1,772	(1,772)	0	\$ 182,314	0.97%
2021	2,226	(2,226)	0	147,312	1.51%
2020	2,144	(2,144)	0	189,480	1.13%
2019	2,110	(2,110)	0	184,379	1.14%
2018	2,051	(2,051)	0	179,880	1.14%

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



**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2022**

*Changes of benefit terms.*

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

*Changes of assumptions.*

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

## SUPPLEMENTARY INFORMATION

### Funding Source Balance Sheet

June 30, 2022

	National	State	Totals
<u>Assets</u>			
Cash and cash equivalents	\$ 186,631	\$ 266,936	\$ 453,567
Investments	201,000	249,000	450,000
Assessments receivable	48,692	47,443	96,135
Interest receivable	115	136	251
Total assets	<u>\$ 436,438</u>	<u>\$ 563,515</u>	<u>\$ 999,953</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	89,126	80,816	169,942
Accrued payroll	-	31,235	31,235
Due to Cattlemen's Beef Board	49,791	-	49,791
Due to the National Cattlemen's Beef Association	14,914	5,195	20,109
Due to other states	742	-	742
Total liabilities	<u>154,573</u>	<u>117,246</u>	<u>271,819</u>
Fund Balance:			
Restricted	\$ 281,865	\$ 446,269	\$ 728,134
Total fund balance	<u>\$ 281,865</u>	<u>\$ 446,269</u>	<u>\$ 728,134</u>
Total liabilities and fund balance	<u>\$ 436,438</u>	<u>\$ 563,515</u>	<u>\$ 999,953</u>

**Funding Source Balance Sheet**  
June 30, 2021

	National	State	Totals
<u>Assets</u>			
Cash and cash equivalents	\$ 237,762	\$ 654,660	\$ 892,422
Investments	201,000	249,000	450,000
Assessments receivable	76,584	74,478	151,062
Interest receivable	75	50	125
Total assets	<u>\$ 515,421</u>	<u>\$ 978,188</u>	<u>\$ 1,493,609</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 64,341	\$ 101,287	\$ 165,628
Accrued payroll	-	24,908	24,908
Due to Cattlemen's Beef Board	73,987	-	73,987
Due to the National Cattlemen's Beef Association	22,189	14,605	36,794
Due to other states	1,536	-	1,536
Total liabilities	<u>\$ 162,053</u>	<u>\$ 140,800</u>	<u>\$ 302,853</u>
Fund Balance:			
Restricted	\$ 353,368	\$ 837,388	\$ 1,190,756
Total fund balance	<u>\$ 353,368</u>	<u>\$ 837,388</u>	<u>\$ 1,190,756</u>
Total liabilities and fund balance	<u>\$ 515,421</u>	<u>\$ 978,188</u>	<u>\$ 1,493,609</u>

## Funding Source Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Fiscal Year Ended June 30, 2022

	National	State	Total
<u>Revenues</u>			
Gross assessment revenues	\$ 1,201,631	\$ 1,174,729	\$ 2,376,360
Less:			-
Refunds	-	(152,349)	(152,349)
Assessment revenue remitted to other states	(14,380)	-	(14,380)
Assessment revenue remitted to Cattlemen's Beef Board	(593,583)	-	(593,583)
Net assessment revenues	\$ 593,668	\$ 1,022,380	\$ 1,616,048
Interest income	1,259	1,120	2,379
Other revenue	2,100	5,628	7,728
Total revenues	\$ 597,027	\$ 1,029,128	\$ 1,626,155
 <u>Expenditures</u>			
Program expenditures:			
International promotion	\$ 21,965	\$ 246,965	\$ 268,930
Promotion	149,350	127,446	276,796
Domestic/International Special Project	-	0	-
Industry Information	2,176	50,803	52,979
Research	18,750	271,173	289,923
Consumer information	177,540	179,557	357,097
National program development	177,930	113,043	290,973
Total program expenditures	\$ 547,711	\$ 988,987	\$ 1,536,698
Administration	120,819	431,260	552,079
Total expenditures	\$ 668,530	\$ 1,420,247	\$ 2,088,777
Revenue Under Expenditures	\$ (71,503)	\$ (391,119)	\$ (462,622)
Fund Balance, Beginning of Year	\$ 353,368	\$ 837,388	\$ 1,190,756
Fund Balance, End of Year	\$ 281,865	\$ 446,269	\$ 728,134

**Funding Source Statement of Revenues, Expenditures, and Changes in Fund Balance**  
For the Fiscal Year Ended June 30, 2021

	National	State	Total
<u>Revenues</u>			
Gross assessment revenues	\$ 1,263,563	\$ 1,241,203	\$ 2,504,766
Less:			
Refunds	-	(180,193)	(180,193)
Assessment revenue remitted to other states	(13,858)	-	(13,858)
Assessment revenue remitted to Cattlemen's Beef Board	(623,987)	-	(623,987)
Net assessment revenues	\$ 625,718	\$ 1,061,010	\$ 1,686,728
Interest income	2,720	2,270	4,990
Other revenue	4,155	4,155	8,310
Total revenues	\$ 632,593	\$ 1,067,435	\$ 1,700,028
<u>Expenditures</u>			
Program expenditures:			
International promotion	\$ 13,050	\$ 288,050	\$ 301,100
Promotion	161,907	162,260	324,167
Domestic/International Special Project	-	-	-
Industry Information	7,966	61,823	69,789
Research	185,956	200,565	386,521
Consumer information	76,225	76,385	152,610
National program development	187,143	124,213	311,356
Total program expenditures	\$ 632,247	\$ 913,296	\$ 1,545,543
Administration	50,267	400,464	450,731
Total expenditures	\$ 682,514	\$ 1,313,760	\$ 1,996,274
Revenue Over Expenditures	\$ (49,921)	\$ (246,325)	\$ (296,246)
Fund Balance, Beginning of Year	\$ 403,289	\$ 1,083,713	\$ 1,487,002
Fund Balance, End of Year	\$ 353,368	\$ 837,388	\$ 1,190,756



**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**

Independent Auditor's Report

Members of the Legislative Assembly

Members of the North Dakota Beef Commission

Nancy Jo Bateman, North Dakota Beef Commission Executive Director

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 the North Dakota Beef Commission Operating Fund as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the North Dakota Beef Commission's financial statements, and have issued our report thereon dated October 21, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the North Dakota Beef Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Beef Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Beef Commission'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 identified a deficiency in internal control, described in the *Schedule of Findings, Recommendations, and Management's Response* as Finding 2022-01 we consider to be a significant deficiency.

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

As part of obtaining reasonable assurance about whether the North Dakota Beef Commission's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, the Beef Promotion and Research Act of 1985 (the "Act"), and the Beef Promotion and Research Order (the "Order") relative to the use and investment of funds collected by the North Dakota Beef Commission and with terms described in Section 1260.149(f) and Section 1260.181(b) of the Order relative to prohibited uses of funds collected by the North Dakota Beef Commission, 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.

In connection with our audit, nothing came to our attention that caused us to believe that (i) the North Dakota Beef Commission was not in compliance with the provisions of the Beef Promotion and Research Act of 1985 (the "Act") and the Beef Promotion and Research Order (the "Order") relative to the use of funds collected by the North Dakota Beef Commission insofar as they relate to accounting matters, or (ii) that the North Dakota Beef Commission failed to accurately allocate expenses that it shared with any other entity or funding source in a manner that complies with the Act and Order.

Further, nothing came to our attention that caused us to believe the North Dakota Beef Commission was not in compliance with the provisions of the Beef Board Investment Policy for Qualified State Beef Councils dated March 14, 2016, which describes the type of instruments in which the North Dakota Beef Commission may invest. Our audits were not, however, directed primarily toward obtaining knowledge of such noncompliance.

## **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.

/S/

Joshua C. Gallion  
State Auditor  
Bismarck, ND  
October 21, 2022

## **Findings, Recommendations, and Management's Response**

### **Finding 2022-01 – Lack of Segregation of Duties**

#### **Condition**

The North Dakota Beef Commission does not have proper segregation of duties surrounding revenue collections. During the months of July through September there was no independent reconciliation of receipts to deposits to ensure all collections were deposited as one individual was responsible for opening the mail, creating the remittance list, making the deposit, and updating the accounts receivable information.

#### **Criteria**

The Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (Green Book) states that monitoring of controls is an important component of enterprise risk management.

#### **Effect**

A lack of internal controls provides an opportunity for fraud to occur and for increased errors and misstatements.

#### **Cause**

The North Dakota Beef Commission had only 3 employees from July 2021 through September 2021 and did not allocate additional resources to the cash receipting process. There was also one error noted where a reconciliation was done but it could not be determined who completed it as there was no employee initial for it.

#### **Recommendation**

We recommend the North Dakota Beef Commission properly segregate duties surrounding revenue collections and document the reconciliation.

#### **North Dakota Beef Commission Response/Corrective Action Plan:**

We agree with the recommendation and it has always been our goal to have appropriate internal controls in place. This situation was corrected immediately upon receiving this finding in October of 2021 in our last audit covering July 1, 2020 to June 30, 2021. As of October 1, 2021, an open staff position was filled and since then there has been consistent segregation of duties surrounding revenue collections and documentation regarding the reconciliation.



## Governance Communication

October 21, 2022

North Dakota Beef Commission

Legislative Audit and Fiscal Review Committee

We have audited the financial statements of the Operating Fund of the North Dakota Beef Commission, for the years ended June 30, 2022 and 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 8, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Dakota Beef Commission are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies were not changed during the 2022. We noted no transactions entered into by the North Dakota Beef Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no known or likely misstatements identified during the audit.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 21, 2022.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the North Dakota Beef Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the North Dakota Beef Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Share of Net Other Post-Employment Benefits (OPEB) Liability, and the Schedule of Employer Contributions for both pensions and OPEB which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Funding Source Balance Sheet and Funding Source Statement of Revenues, Expenditures, and Changes in Fund Balances for fiscal years 2022 and 2021, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the

supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the use of Legislative Audit and Fiscal Review Committee, the North Dakota Beef Commission and management of the North Dakota Beef Commission, is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lindsey Slappy".

Lindsey Slappy, CPA  
Audit Manager



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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