Financial Statements
June 30, 2023 and 2022

Office of the State Auditor

EideBailly®

OFFICE OF THE STATE AUDITOR

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For the Biennium Ended June 30, 2023

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OFFICIALS

Joshua C. Gallion	State Auditor
Brianna Ludwig	Deputy State Auditor
Heidi Morman	Business Manager
James Carroll	Accountant
Emily Dalzell	Communications Director
Dan Cox	Quality Assurance Manager
Allison Bader	Manager – Agency
Robyn Hoffmann	Manager – Agency
Lindsey Slappy	Manager – Agency
Rob Sipes	Manager – Information Systems
Ryan Bauer	Manager – Mineral Royalty
Heath Erickson	Manager – Local Government

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Governor of North Dakota
The Legislative Assembly

Office of the State Auditor
Bismarck, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of the State Auditor as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Office of the State Auditor'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 governmental activities, each major fund, and the aggregate remaining fund information of the Office of the State Auditor, as of June 30, 2023 and 2022, and the respective changes in financial position and the statement of appropriations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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 Office of the State Auditor and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Office of the State Auditor has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases,* for the years ended June 30, 2023 and 2022. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Office of the State Auditor are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of North Dakota that is attributable to the transactions of the Office of the State Auditor. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2023 and 2022, 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 opinions are 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.

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 the 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 Office of the State Auditor'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.

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 Budgetary Comparison Schedule, Schedule of Employer's Share of Net Pension Liability and Schedule of Employer Contributions, Schedule of Employer's Share of Net OPEB Liability and Employer Contributions, and notes to the Required Supplementary Information 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office of the State Auditor's financial statements. The Office of the State Auditor Officials and Audit Personnel are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023 on our consideration of the Office of the State Auditor'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 Office of the State Auditor'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 Office of the State Auditor's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
December 1, 2023

OFFICE OF THE STATE AUDITOR
Statement of Net Position
June 30, 2023

		Governmental Activities 2023
ASSETS		
Cash and Investments	$	293,226
Due from Local Governments		333,246
Due from Federal Government		151,908
Due from Other State Agencies		604,185
Due from State General Fund		427,952
Capital Assets, Net of Accumulated Depreciation		11,423
Right-of-Use Leased Assets, Net of Accumulated Amortization		25,879
Total Assets	$	1,847,819
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pension and OPEB	$	6,836,653
Total Assets & Deferred Outflows of Resources	$	8,684,472
LIABILITIES		
Accounts Payable	$	40,405
Refund Payable		11,000
Salary and Benefits Payable		539,185
Due to Other State Agencies		23,943
Due to State General Fund		702,658
Long-Term Liabilities		
Due Within One Year		
Leases Payable		12,642
Compensated Absences Payable		36,892
Due After One Year		
Leases Payable		13,190
Compensated Absences Payable		332,023
Net Pension and OPEB Liability		9,975,003
Total Liabilities	$	11,686,941
DEFERRED INFLOWS OF RESOURCES		
Derived from Pension and OPEB		3,943,083
Total Liabilities & Deferred Inflows of Resources	$	15,630,024
NET POSITION		
Net Investment in Capital Assets	$	11,470
Unrestricted		(6,957,022)
Total Net Position	$	(6,945,552)

The notes to the financial statements are an integral part of this statement.

OFFICE OF THE STATE AUDITOR

Statement of Activities

For the Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
					Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
Primary Government					
Administration	$ 1,662,180	$ -	$ -	$ -	$ (1,662,180)
State Agency Audits	3,732,006	1,356,798	-	-	(2,375,208)
Mineral Royalty Audits	547,468	-	481,203	-	(66,265)
Local Government Audits	1,943,874	1,682,587	-	-	(261,287)
Interest on Long-Term Debt	2,213	-	-	-	(2,213)
Total Primary Government	$ 7,887,741	$3,039,385	$ 481,203	$ -	$ (4,367,153)
	General Revenues				
	Interest Income				$ 426
	Miscellaneous				167,728
	Transfers from State General Fund				3,230,038
	Total General Revenues				$ 3,398,192
	Change in Net Position				$ (968,961)
	Net Position - July 1				$ (5,976,591)
	Net Position - June 30				$ (6,945,552)

The notes to the financial statements are an integral part of this statement.

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Federal	Operating		
ASSETS					
Cash and Investments	$ -	$ -	$ 291,626	$ 1,600	$ 293,226
Due from Local Governments, Net	-	-	333,246	-	333,246
Due from Federal Government	-	151,908	-	-	151,908
Due from Other State Agencies	604,185	-	-	-	604,185
Due from State General Fund	427,910	-	42	-	427,952
Total Assets	$ 1,032,095	$ 151,908	$ 624,914	$ 1,600	$ 1,810,517
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 38,833	$ 856	$ 716	$ -	$ 40,405
Refund Payable	11,000	-	-	-	11,000
Salaries and Benefits Payable	363,531	51,146	124,508	-	539,185
Due to Other State Agencies	14,546	1,433	7,964	-	23,943
Due to State General Fund	604,185	98,473	-	-	702,658
Total Liabilities	$ 1,032,095	$ 151,908	$ 133,188	$ -	$ 1,317,191
Fund Balances					
Committed					
Operating	$ -	$ -	$ 491,726	$ 1,600	$ 493,326
Total Fund Balances	$ -	$ -	$ 491,726	$ 1,600	$ 493,326
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,032,095	$ 151,908	$ 624,914	$ 1,600	$ 1,810,517

The notes to the financial statements are an integral part of this statement.

Total *Fund Balances* for Governmental Funds		$ 493,326
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		11,423
Right-of-Use lease assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right-of-use assets at historical cost	$ 205,812	
Accumulated amortization	(179,933)	25,879
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions and OPEB	6,836,653	
Deferred Inflows Related to Pensions and OPEB	(3,943,083)	2,893,570
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.		
Long-Term Lease Liability	(25,832)	
Net Pension and OPEB Liability	(9,975,003)	
Compensated Absences Payable	(368,915)	(10,369,750)
Total Net Position of Governmental Activities		$ (6,945,552)

The notes to the financial statements are an integral part of this statement.

OFFICE OF THE STATE AUDITOR

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2023

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Federal	Operating		
Revenues					
Intergovernmental	$ -	$ 481,203	$ -	$ -	$ 481,203
Charges for Services	1,356,798	-	1,682,587	-	3,039,385
Interest Income	-	-	426	-	426
Miscellaneous	650	-	165,478	1,600	167,728
Total Revenues	$ 1,357,448	$ 481,203	$ 1,848,491	$ 1,600	$ 3,688,742
Expenditures					
Current					
Administration	$ 1,317,355	$ -	$ -	$ -	$ 1,317,355
State Audits	3,228,911	-	-	-	3,228,911
Mineral Royalty Audits	-	471,043	-	-	471,043
Local Government Audits	-	-	1,673,609	-	1,673,609
Other	-	-	165,478	-	165,478
Capital Outlay	-	-	26,957	-	26,957
Debt Service					
Principal	40,287	9,930	46,447	-	96,664
Interest and Fees	933	230	1,050	-	2,213
Total Expenditures	$ 4,587,486	$ 481,203	$ 1,913,541	$ -	$ 6,982,230
Excess (Deficiency) of Revenues Over Expenditures	$ (3,230,038)	$ -	$ (65,050)	$ 1,600	$ (3,293,488)
Other Financing Sources (Uses)					
Lease Financing	$ -	$ -	$ 26,957	$ -	$ 26,957
Transfers from State General Fund	4,587,486	-	-	-	4,587,486
Transfers to State General Fund	(1,357,448)	-	-	-	(1,357,448)
Total Other Financing Sources (Uses)	$ 3,230,038	$ -	$ 26,957	$ -	$ 3,256,995
Net Change in Fund Balances	$ -	$ -	$ (38,093)	$ 1,600	$ (36,493)
Fund Balance - July 1	$ -	$ -	$ 529,819	$ -	$ 529,819
Fund Balance - June 30	$ -	$ -	$ 491,726	$ 1,600	$ 493,326

The notes to the financial statements are an integral part of this statement.

Net Change in *Fund Balances* - Total Governmental Funds		$ (36,493)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current Year Depreciation Expense	(3,335)	(3,335)
Right-of-use leased assets capital outlay expenditures which were capitalized.	26,957	
Amortization expense for intangible assets.	(94,990)	(68,033)
The proceeds of debt issuances are reporting as other financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Lease Financing	(26,957)	
Principal payments on long-term lease financing	96,664	69,707
The net pension liability and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.		
Increase in Net Pension Liability and OPEB	(6,423,601)	
Increase in Deferred Inflows of Resources Related to Pensions and OPEB	2,563,196	
Decrease in Deferred Outflows of Resources Related to Pensions and OPEB	2,944,132	(916,273)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Increase in Compensated Absences Liability	(14,534)	(14,534)
Change in Net Position of Governmental Activities		$ (968,961)

The notes to the financial statements are an integral part of this statement.

	Governmental Activities 2022
ASSETS	
Cash and Investments	$ 217,632
Due from Local Governments	447,087
Due from Federal Government	142,684
Due from Other State Agencies	702,152
Due from State General Fund	392,570
Capital Assets, Net of Accumulated Depreciation	14,758
Right-of-Use Leased Assets, Net of Accumulated Amortization	93,912
Total Assets	$ 2,010,795
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension and OPEB	$ 4,273,457
Total Assets & Deferred Outflows of Resources	$ 6,284,252
LIABILITIES	
Accounts Payable	$ 30,853
Salary and Benefits Payable	519,467
Due to Other State Agencies	22,155
Due to State General Fund	799,831
Long-Term Liabilities	
Due Within One Year	
Leases Payables	95,539
Compensated Absences Payable	35,438
Due After One Year	
Compensated Absences Payable	318,943
Net Pension and OPEB Liability	3,551,402
Total Liabilities	$ 5,373,628
DEFERRED INFLOWS OF RESOURCES	
Derived from Pension and OPEB	6,887,215
Total Liabilities & Deferred Inflows of Resources	$ 12,260,843
NET POSITION	
Net Investment in Capital Assets	$ 14,758
Unrestricted	(5,991,349)
Total Net Position	$ (5,976,591)

The notes to the financial statements are an integral part of this statement.

OFFICE OF THE STATE AUDITOR

Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities Primary Government
Primary Government					
Administration	$ 1,273,195	$ -	$ -	$ -	$ (1,273,195)
State Agency Audits	3,161,881	963,016	-	-	(2,198,865)
Mineral Royalty Audits	512,166	-	503,931	-	(8,235)
Local Government Audits	1,696,227	1,700,886	-	-	4,659
Interest on Long-Term Debt	4,945	-	-	-	(4,945)
Total Primary Government	$ 6,648,414	$2,663,902	$ 503,931	$ -	$ (3,480,581)
	General Revenues				
	Interest Income				$ 154
	Miscellaneous				126,683
	Transfers from State General Fund				3,289,563
	Total General Revenues				$ 3,416,400
	Change in Net Position				$ (64,181)
	Net Position - July 1				$ (5,912,410)
	Net Position - June 30				$ (5,976,591)

The notes to the financial statements are an integral part of this statement.

OFFICE OF THE STATE AUDITOR
Balance Sheet – Governmental Funds
June 30, 2022

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Federal	Operating		
ASSETS					
Cash and Investments	$ -	$ -	$ 217,632	$ -	$ 217,632
Due from Local Governments	-	-	447,087	-	447,087
Due from Federal Government	-	142,684	-	-	142,684
Due from Other State Agencies	575,469	-	126,683	-	702,152
Due from Federal Fund	-	-	3,014	-	3,014
Due from Special Fund	126,683	-	-	-	126,683
Due from State General Fund	392,561	-	9	-	392,570
Total Assets	$ 1,094,713	$ 142,684	$ 794,425	$ -	$ 2,031,822
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 30,449	$ 85	$ 319	$ -	$ 30,853
Salaries and Benefits Payable	348,340	40,590	130,537	-	519,467
Due to Other State Agencies	13,771	1,317	7,067	-	22,155
Due to Special Fund	-	3,014	-	-	3,014
Due to General Fund	-	-	126,683	-	126,683
Due to State General Fund	702,153	97,678	-	-	799,831
Total Liabilities	$ 1,094,713	$ 142,684	$ 264,606	$ -	$ 1,502,003
Fund Balances					
Committed					
Operating	$ -	$ -	$ 529,819	$ -	$ 529,819
Total Fund Balances	$ -	$ -	$ 529,819	$ -	$ 529,819
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,094,713	$ 142,684	$ 794,425	$ -	$ 2,031,822

The notes to the financial statements are an integral part of this statement.

Total *Fund Balances* for Governmental Funds		$ 529,819
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		14,758
Right-of-Use lease assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right-of-use assets at historical cost	$ 178,855	
Accumulated amortization	(84,943)	93,912
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions and OPEB	4,273,457	
Deferred Inflows Related to Pensions and OPEB	(6,887,215)	(2,613,758)
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.		
Long-Term Lease Liability	(95,539)	
Net Pension and OPEB Liability	(3,551,402)	
Compensated Absences Payable	(354,381)	(4,001,322)
Total Net Position of Governmental Activities		$ (5,976,591)

The notes to the financial statements are an integral part of this statement.

OFFICE OF THE STATE AUDITOR
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2022

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Federal	Operating		
Revenues					
Intergovernmental	$ -	$ 503,931	$ -	$ -	$ 503,931
Charges for Services	963,016	-	1,700,886	-	2,663,902
Interest Income	-	-	154	-	154
Miscellaneous	767	-	126,683	(767)	126,683
Total Revenues	$ 963,783	$ 503,931	$ 1,827,723	$ (767)	$ 3,294,670
Expenditures					
Current					
Administration	$ 1,127,576	$ -	$ -	$ -	$ 1,127,576
State Audits	3,072,535	-	-	-	3,072,535
Mineral Royalty Audits	-	503,263	-	-	503,263
Local Government Audits	-	-	1,627,631	-	1,627,631
Other	-	-	126,683	-	126,683
Capital Outlay	91,193	10,598	89,077	-	190,868
Debt Service					
Principal	38,893	668	43,754	-	83,315
Interest and Fees	2,327	-	2,618	-	4,945
Total Expenditures	$ 4,332,526	$ 514,529	$ 1,889,763	$ -	$ 6,736,816
Excess (Deficiency) of Revenues Over Expenditures	$ (3,368,743)	$ (10,598)	$ (62,040)	$ (767)	$ (3,442,146)
Other Financing Sources (Uses)					
Lease Financing	$ 79,180	$ 10,598	$ 89,077	$ -	$ 178,855
Transfers from State General Fund	4,253,346	-	-	-	4,253,346
Transfers to State General Fund	(963,783)	-	-	-	(963,783)
Total Other Financing Sources (Uses)	$ 3,368,743	$ 10,598	$ 89,077	$ -	$ 3,468,418
Net Change in Fund Balances	$ -	$ -	$ 27,036	$ (767)	$ 26,269
Fund Balance - July 1	$ -	$ -	$ 502,783	$ 767	$ 503,550
Fund Balance - June 30	$ -	$ -	$ 529,819	$ -	$ 529,819

The notes to the financial statements are an integral part of this statement.

Net Change in *Fund Balances* - Total Governmental Funds		$ 26,269
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current Year Capital Outlay	$ 12,014	
Current Year Depreciation Expense	(2,233)	9,781
Right-of-use leased assets capital outlay expenditures which were capitalized.	178,854	
Amortization expense for intangible assets.	(84,943)	93,911
The proceeds of debt issuances are reporting as other financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Lease Financing	(178,854)	
Principal payments on long-term lease financing	83,315	(95,539)
The net pension liability and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.		
Decrease in Net Pension Liability and OPEB	6,752,172	
Decrease in Deferred Inflows of Resources Related to Pensions and OPEB	(1,858,438)	
Increase in Deferred Outflows of Resources Related to Pensions and OPEB	(5,023,423)	(129,689)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Decrease in Compensated Absences Liability	31,085	31,085
Change in Net Position of Governmental Activities		$ (64,181)

The notes to the financial statements are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Office of the State Auditor (Office) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Office of the State Auditor's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the Office of the State Auditor. The Office of the State Auditor has considered all potential component units for which the Office of the State Auditor is financially accountable and other organizations for which the nature and significance of their relationships with the Office of the State Auditor such that exclusion would cause the Office of the State Auditor's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Office of the State Auditor 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 Office of the State Auditor.

Based upon these criteria, there are no component units to be included within the Office of the State Auditor as a reporting entity and the Office of the State Auditor is an agency within the State of North Dakota as a reporting entity.

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information on all activities of the Office of the State Auditor. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions.

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

> Net Investment in capital assets - consists of a capital asset, net of accumulated depreciation.
>
> Restricted net position - results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Net position restricted by enabling legislation is subject to change by a majority vote of the Legislative Assembly.
>
> Unrestricted net position - consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate management does not consider it to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management but can be removed or modified.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Office of the State Auditor's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (b) grants and contributions that are restricted to meeting the operational requirements of a particular function.

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

The Office of the State Auditor reports the following major governmental funds:

> General Fund – This is the principle operating fund of the agency. It is used to account for all financial resources that are not accounted for in other funds. Included are transactions involving administration and state agency audits.
>
> Federal Fund - This fund is classified as a special revenue fund and accounts for all the financial resources from the federal government, which finances the Mineral Royalty Audit Division.
>
> Operating Fund - This fund is classified as a special revenue fund and accounts for all activities of the Local Government Division.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. The government-wide 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.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are recognized as 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.

Major revenues that are determined to be susceptible to accrual include federal grants and audit fees. All revenues are determined to be available if collected within one year of fiscal year-end. Revenues earned under the terms of reimbursement agreements with other governments are recorded at the time the related expenditures are made if other eligibility requirements have been met.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

General Budgetary Policies and Procedures

The Office of the State Auditor operates through a biennial appropriation provided by the State Legislature. The Office prepares a biennial budget, which is included in the Governor's budget presented to the Legislative Assembly at the beginning of each legislative session. The Legislative Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The Governor has line item veto powers over all legislation subject to legislative override.

Once passed and signed, the appropriation bill becomes the department's financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, referendum, or allotment action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate an intent to reject the money. Unexpended appropriations lapse at the end of each biennium.

The biennial budget is prepared primarily on a cash basis. Encumbrance accounting is not used. The legal level of budgetary control is at the funding source and expenditure line item level. Revenues are not formally budgeted and expenditures are not budgeted by fund. The agency appropriation is defined through the use of specific expenditure line items.

Cash

Cash consists of money on deposit with the State Treasurer.

Receivables

Receivables include amounts "due from other state agencies" (state agency audits) and "due from local governments" (local government audits) for audits performed during the year.

Due From State General Fund

"Due from state general fund" is the amount needed from the state general fund to liquidate accrued payroll and liabilities of the Office of the State Auditor general fund.

Due From Federal Government

The Office of the State Auditor has a contract with the United States Department of the Interior – Office of Natural Resource Revenue for audit and related investigations of federal oil and gas leases located in the state of North Dakota. It is the Office of the State Auditor's policy to recognize federal revenue as allowable expenditures are incurred. Due from federal government represents amounts receivable for reimbursable expenditures incurred by June 30.

Capital Assets

Capital assets, which include equipment and right-of-use leased assets, are valued at historical cost and reported in the governmental activities column in the government-wide financial statements. Capital assets have an original cost of $5,000 or more per unit and an estimated useful life in excess of one year. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in it intended location and condition for use. Normal maintenance and repair costs that do not materially add to the value or extend the life of an asset are not capitalized.

Capital assets are depreciated using the straight-line method. IT equipment is depreciated over three years. Copiers are depreciated over five years. Other equipment is depreciated over ten years.

Right-of-Use Assets

Right-of-use assets represent a lessee's authority to utilize a leased item, typically property or equipment, over the duration of an agreed-upon lease term. The lessee is granted the right to obtain an economic benefit from the usage of an asset owned by another entity. This is also referred to as a lease asset.

Leases

The Office of the State Auditor is a lessee within various lease agreements. The Office of the State Auditor recognizes a lease liability and an intangible right-of-use asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the Office initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is then amortized on a straight-line basis over the life of the lease or its useful life, whichever is shorter.

Key estimates and judgments related to leases include how the Office of the State Auditor determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

1) The Office uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Office generally uses its estimated incremental borrowing rate as the discount rate for leases.
2) The lease term includes the noncancellable period of the lease.

3) Lease payments included in the measurement of the lease liability are comprised of fixed payments and purchase option price that the Office is reasonably certain to exercise.

The Office of the State Auditor monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Compensated Absences

Annual Leave

Employees of the Office of the State Auditor accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed thirty (30) days at each year end. The amount of annual leave earned ranges between one and two days per month per section 54-06-14 of the North Dakota Century Code (NDCC).

The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. This normally occurs only if an employee has unused reimbursable leave still outstanding at the time of their termination. The government-wide financial statement present the cost of accumulated annual leave as a liability.

Sick Leave

The NDCC, section 54-06-14, states employees accrue sick leave at the rate of one to a maximum of one and one-half working days per month of employment without limitation on the amount that can be accumulated. Employees vest at ten years of creditable service, at which time the Office is liable for ten percent of the employee's accumulated unused sick leave. The governmental fund financial statements recognize sick leave as it is incurred. The government-wide financial statements present the estimated cost of sick leave as a liability after an employee has been employed by the Office for five consecutive years.

Transfers

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. "Transfers In" consists of transfers from the state's general fund and "Transfers Out" consists of transfers to the state's general fund.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

Pension

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position/Fund Balances

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources on the agency-wide statements. Fund balance represents the difference between assets and liabilities on the governmental fund statements. Fund balance classifications for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is not in spendable form such as inventories and prepaids. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State constitution and external parties, such as the federal government, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the state's legislature, through legislation, that is not considered as enabling legislation, passed into law.

Assigned fund balance classifications are used when the amounts are to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. The assignment of fund balance is generally initiated by the executive branch and later appropriated by the Legislature for a specific purpose.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification would only be used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The balance sheet amounts shown as committed fund balances in the operating fund can be used only for expenses relating to political subdivision audits in accordance with North Dakota Century Code (NDCC). This commitment of fund balance can only be changed by an act of the State Legislature. The balance sheet amounts shown as assigned in the other governmental funds can only be used for conference activity.

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transfers are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

Implementation of GASB Statement No. 87

As of July 1, 2021, the Office adopted GASB Statement No. 87, *Leases.* The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflow of resources based on the payment provisions of the contract. The implementation of the standard does not require a restatement of beginning net position as leases are only recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation.

Implementation of GASB Statement No. 96

As of July 1, 2022, the Office adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes a definition for SBITAs and provides uniform guidance for accounting and financial reporting. The standard establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. The Office of the State Auditor evaluated transactions after July 1, 2022 and determined there were no SBITA contracts to recognize.

NOTE 2: DEPOSITS

Custodial Credit Risk

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the Office of the State Auditor would not be able to recover the deposits or collateralized securities that in the possession of the outside parties.

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 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.

At June 30, 2023 and 2022, the bank balances of the Office of the State Auditor's deposits were $293,226 and $217,632, 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 Office of the State Auditor'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 Chapter 6-09-10).

NOTE 3: RECEIVABLES

During fiscal year 2023, the Office of the State Auditor determined two existing accounts receivable uncollectible. The special funded local government group conducted audits for Griggs County and the City of Parshall. Both entities have refused to pay for the work completed for varying reasons. The Office is still working with the ND Attorney General's Office to determine the next steps.

As of June 30, 2023, the amounts removed from receivables (Due from Local Governments, Net) for the special fund are $25,600 for Griggs County and $26,750 for the City of Parshall.

NOTE 4: CAPITAL ASSETS

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

Governmental Activities	Balance 7/1/22	Increases	Decreases	Transfers	Balance 6/30/2023
Capital assets, being depreciated					
Equipment	$ 45,757	$ -	$ -	$ -	$ 45,757
Total Capital Assets, Being Depreciated	45,757	-	-	-	45,757
Less accumulated depreciation for					
Equipment*	30,999	3,335	-	-	34,334
Total Accumulated Depreciation	30,999	3,335	-	-	34,334
Total Capital Assets Being Depreciated, Net	14,758	(3,335)	-	-	11,423
Toal Capital Assets, Net	$ 14,758	$ (3,335)	$ -	$ -	$ 11,423

Governmental Activities	Balance 7/1/22	Increases	Decreases	Transfers	Balance 6/30/2023
Right-of-Use lease assets being amortized					
Buildings	178,855	26,957	-	-	205,812
Total Right-of-Use Assets, Being Amortized	178,855	26,957	-	-	205,812
Less accumulated amortization for Right-of-Use Lease Assets					
Buildings	84,943	94,990	-	-	179,933
Total Accumulated Amortization	84,943	94,990	-	-	179,933
Total Right-of-Use Assets Being Amortized, Net	93,912	(68,033)	-	-	25,879
Total Capital Asset and Right-of-Use Assets, Net	$ 108,670	$ (71,368)	$ -	$ -	$ 37,302

Depreciation and amortization expense were charged to functions of the Office as follows:

Depreciation and Amortization by Function	Depreciation	Amortization
Administration	3,335	
State Agency Audits	-	39,590
Mineral Royalty Audits	-	9,783
Local Government Audits	-	45,617
Total Depreciation and Amortization by Function	**3,335**	**94,990**

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

Governmental Activities	Balance 7/1/21	Increases	Decreases	Transfers	Balance 6/30/2022
Capital assets, being depreciated					
Equipment	$ 33,743	$ 12,014	$ -	$ -	$ 45,757
Total Capital Assets, Being Depreciated	33,743	12,014	-	-	45,757
Less accumulated depreciation for					
Equipment*	28,766	2,233	-	-	30,999
Total Accumulated Depreciation	28,766	2,233	-	-	30,999
Total Capital Assets Being Depreciated, Net	4,977	9,781	-	-	14,758
Toal Capital Assets, Net	$ 4,977	$ 9,781	$ -	$ -	$ 14,758

Governmental Activities	Balance 7/1/21	Increases	Decreases	Transfers	Balance 6/30/2022
Right-of-Use lease assets being amortized					
Buildings	-	178,855	-	-	178,855
Total Right-of-Use Assets, Being Amortized	-	178,855	-	-	178,855
Less accumulated amortization for Right-of-Use Lease Assets					
Buildings	-	84,943	-	-	84,943
Total Accumulated Amortization	-	84,943	-	-	84,943
Total Right-of-Use Assets Being Amortized, Net	-	93,912	-	-	93,912
Total Capital Asset and Right-of-Use Assets, Net	$ 4,977	$ 103,693	$ -	$ -	$ 108,670

Depreciation and amortization expense were charged to functions of the Office as follows:

Depreciation and Amortization by Function	Depreciation	Amortization
Administration	2,233	
State Agency Audits	-	39,589
Mineral Royalty Audits	-	815
Local Government Audits	-	44,539
Total Depreciation and Amortization by Function	**2,233**	**84,943**

NOTE 5: LEASES

Fargo Office Space

The Office entered into an agreement to lease office space commencing July 1, 2017, for 24 months. The lease terminates June 30, 2019, with four options to renew the lease annually, with a biennial increase of 3%. Each annual option has been exercised and the lease now terminates on June 30, 2023, with no remaining options to renew.

As of June 30, 2023, the Office of the State Auditor recognized a net right-of-use asset of $0 and a lease liability of $0 related to this agreement. During the fiscal year, the Office recorded $84,128 in amortization expense and $1,984 in interest expense for the right to use the office building. The Office used an incremental borrowing rate of 4.25%, which is the rate used by the State of North Dakota.

As of June 30, 2022, the Office recognized a net right-of-use asset of $84,128 and a lease liability of $85,609. During the fiscal year, the Office recorded $84,128 in amortization expense and $4,946 in interest expense.

WSI Century Center Office Space – Federal Fund

The Office's federal fund entered into an agreement to lease office space commencing June 1, 2022, for 13 months. The lease terminates June 30, 2023, with an option to renew for 24 months. Both parties have the unilateral ability to terminate the lease with 90 days notice. A lease amendment was signed in May 2023 to excise the renewal option and also increase office space. The lease amendment meets the criteria of GASB 87, paragraph 72 to be evaluated as a new lease. The effective date of the new lease is July 1, 2024.

As of June 30, 2023, the Office of the State Auditor recognized a net right-of-use asset of $0 and a lease liability of $0 related to this agreement. During the fiscal year, the Office recorded $9,783 in amortization expense and $230 in interest expense for the right to use the office building. The Office used an incremental borrowing rate of 4.25%, which is the rate used by the State of North Dakota.

As of June 30, 2022, the Office recognized a net right-of-use asset of $9,783 and a lease liability of $9,930. During the fiscal year, the Office recorded $815 in amortization expense and $0 in interest expense.

WSI Century Center Office Space – Special Fund

The Office's special fund entered into an agreement to lease office space commencing August 15, 2022, for 9 months. The lease terminates June 30, 2023, with an option to renew for 24 months. Both parties have the unilateral ability to terminate the lease with 90 days notice. A lease amendment was effective December 1, 2022, to increase office space with the same termination date. The Office signed an amendment on May 19, 2023, to extend it for 24 months. The amendment does not meet the criteria in GASB 87, paragraph 72, the original lease should be remeasured as of June 1, 2023, for the remaining 25 months.

As of June 30, 2023, the Office of the State Auditor recognized a net right-of-use asset of $25,879 and a lease liability of $25,832 related to this agreement. During the fiscal year, the Office recorded $1,078 in amortization expense and $0 in interest expense for the right to use the office building. The Office used an incremental borrowing rate of 4.25%, which is the rate used by the State of North Dakota.

Remaining obligations associated with these leases are as follows:

Fiscal Year Ended June 30,	Principal	Interest
2024	12,642	854
2025	13,189	306
Total	25,832	1,159

NOTE 6: REFUND PAYABLE

During the 68th Legislative Assembly, Regular Session, the Office was appropriated $11,000 from the general fund in SB 2004 for a refund payable to the Gwinner Fire District. The funding was authorized as an emergency measure. The payment was made in July 2023 and the expenditure was applied-back to June 2023.

NOTE 7: LONG-TERM LIABILITIES

Primary Government

During the year ended June 30, 2023, the following changes occurred in governmental activities long-term liabilities:

Governmental Activities	Balance 7/1/22	Increases	Decreases	Balance 6/30/23	Due Within One Year
Compensated Absences	$ 354,381	$ 14,534	$ -	$ 368,915	$ 36,892
Long-Term Leases Payable	95,539	26,957	96,664	25,832	12,642
Net Pension and OPEB Liability	3,551,402	6,423,601	-	9,975,003	-
Total Long-Term Liabilties	$ 4,001,322	$ 6,465,092	$ 96,664	$ 10,369,750	$ 49,534

During the year ended June 30, 2022, the following changes occurred in governmental activities long-term liabilities:

Governmental Activities	Balance 7/1/21	Increases	Decreases	Balance 6/30/22	Due Within One Year
Compensated Absences	$ 385,466	$ -	$ 31,085	$ 354,381	$ 35,438
Long-Term Leases Payable	-	95,539	-	95,539	95,539
Net Pension and OPEB Liability	10,303,574	-	6,752,172	3,551,402	-
Total Long-Term Liabilties	$ 10,689,040	$ 95,539	$ 6,783,257	$ 4,001,322	$ 130,977

NOTE 8: COMMITMENTS

The Office of the State Auditor signed a lease agreement in June 2023 for office space in Fargo, ND that does not meet the reporting of GASB 87. Since the previous lease that expired on June 30, 2023, met the requirements of GASB 87 reporting, the Office feels disclosing the future commitment is important. The new lease is for a period of 24 months, commencing on July 1, 2023, and terminating on June 30, 2025. The Office has four options to renew the lease annually, with an annual increase of 3%. The expected rent payments for the original lease term are $104,004 per year.

The Office also signed a lease agreement in May 2023 for office space in Bismarck at the WSI Century Center for the federal fund that does not meet the reporting requirements of GASB 87. Since the previous lease that expired on June 30, 2023, met the requirements of GASB 87, the Office feels disclosing the future commitment is important. The new lease is for a period of 24 months, commencing on July 1, 2023, and terminating on June 30, 2025. The lease does not have a future renewal option. The expected rent payments for the lease term are $12,096 per year.

NOTE 9: PENSION PLAN

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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 be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. 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.

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 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.

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.

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. Members hired prior to January 1, 2020 contribution rates are 7% and employer contributions rates are 7.12% of covered compensation. Members hired January 1, 2020 and later member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

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

At June 30, 2023 and June 30, 2022, the following net pension liabilities were reported:

	Net Pension Liability
FY2023	$ (9,630,943)
FY2022	(3,396,493)

The net pension liability for FY2023 and FY2022 were measured as of June 30, 2022, and June 30, 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2022, and June 30, 2021, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2022 and June 30, 2021 measurement	Pension Expense
FY2023	0.334400%	0.008535%	$ 1,202,565
FY2022	0.325865%	0.006013%	466,014

At June 30, 2023, the following deferred outflows of resources and deferred inflows of resources were reported related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 50,238	$ 183,968
Changes of Assumptions	5,759,445	3,570,537
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	352,490	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	192,873	163,219
Employer Contributions Subsequent to the Measurement Date	303,248	-
Total	$ 6,658,294	$ 3,917,724

At June 30, 2022, the following deferred outflows of resources and deferred inflows of resources were reported related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 58,640	$ 346,659
Changes of Assumptions	3,759,258	4,901,286
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,259,706
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	99,667	291,790
Employer Contributions Subsequent to the Measurement Date	287,069	-
Total	$ 4,204,634	$ 6,799,441

$303,428 and $287,069 are 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, 2023, and June 30, 2022, respectively.

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

2023	$ 629,713
2024	807,086
2025	90,768
2026	909,755
2027	-

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	3.5% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost–of-living adjustments	None

For active members, inactive members and healthy 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 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%	6.30%
International Equity	21%	6.5%
Private Equity	7%	9.55%
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 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the Office of the State Auditor's proportionate share of the net pension liability at June 30, 2022 and June 30, 2021 calculated using the discount rate of 5.10 and 7.00 percent, respectively, as well as what the Office of the State Auditor's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

FY2023	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
Proportionate Share of the Net Pension Liability	$ 12,712,182	$ 9,630,943	$ 7,101,352

FY2022	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability	$ 5,401,565	$ 3,396,493	$ 1,726,955

Pension Plan Fiduciary Net Position

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

NOTE 10: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to $5.00 for each of the 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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023 and June 30, 2022, the following net OPEB liabilities were reported:

	Net OPEB Liability
FY2023	$ 344,060
FY2022	154,909

The net FY2023 and FY2022 OPEB liabilities were measured as of June 30, 2022, and June 30, 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2022, and June 30, 2021, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2022 and June 30, 2021 measurement	Pension Expense
FY2023	0.286643%	0.008116%	$ 50,389
FY2022	0.278527%	-0.007924%	12,727

At June 30, 2023, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 8,155	$ 2,959
Changes of Assumptions	86,665	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	46,327	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,969	22,400
Employer Contributions Subsequent to the Measurement Date	33,243	-
Total	$ 178,359	$ 25,359

At June 30, 2022, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 8,897	$ 4,246
Changes of Assumptions	23,989	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	53,076
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	371	30,452
Employer Contributions Subsequent to the Measurement Date	35,566	-
Total	$ 68,823	$ 87,774

$33,243 and $35,566 are 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 OPEB liability in the year ended June 30, 2023, and June 30,2022, respectively.

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

2023	$ 29,195
2024	26,683
2025	24,703
2026	39,176
2027	-
Thereafter	-

Actuarial assumptions

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

Inflation	2.25%
Salary Increases	Not applicable
Investment Rate of Return	5.75%, net of investment expenses
Cost-of-Living Adjustments	None

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

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

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%
International Equities	26%	6.25%
Domestic Fixed Income	35%	0.50%

Discount rate

The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Agency'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, 2022 and June 30, 2021, calculated using the discount rate of 5.39% and 6.5%, respectively, 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 or 1-percentage-point higher than the current rate:

FY2023	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Proportionate Share of the Net OPEB Liability	$ 439,172	$ 344,060	$ 264,216

FY2022	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Proportionate Share of the Net OPEB Liability	$ 229,750	$ 154,909	$ 91,582

NOTE 11: RISK MANAGEMENT

The Office of the State Auditor 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 $250,000 per person and $1,000,000 per occurrence.

The Office of the State Auditor also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building and 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 $1,000,000 per occurrence. The State Bonding Fund currently provides the Office with blanket fidelity bond coverage in the amount of $2,000,000 per employee. The State Bonding Fund does not currently charge any premium for this coverage.

The Office 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 12: RELATED PARTIES

As noted in "Note 1" of these financial statements, the Office of the State Auditor is an agency of the state of North Dakota; therefore, other agencies of the state are related parties.

Significant related party activity for the fiscal year ending June 30, 2023, included Accounts Receivable from the Department of Public Instruction and University of North Dakota of $198,148 and $143,805, respectively. Significant related party revenue included revenue from the North Dakota State University and the University of North Dakota of $156,311 and $143,805, respectively.

Significant related party activity for the fiscal year ending June 30, 2022, included Revenue from the North Dakota State University and the University of North Dakota of $82,700 and $124,733, respectively.

OFFICE OF THE STATE AUDITOR
Budgetary Comparison Schedule – All Funds
For the Biennium Ended June 30, 2023

	Original Appropriation	Adjustments	Final Appropriation	Actual	Variance with Final Budget
Resources					
General Fund Transfer	$ 9,119,110	$ 24,882	$ 9,143,992	$ 8,840,832	$ (303,160)
General Fund Revenue	-	-	-	2,321,231	2,321,231
Federal Fund Revenue	1,472,960	(96,789)	1,376,171	985,134	(391,037)
Special Fund Revenue	4,353,192	102,889	4,456,081	3,676,214	(779,867)
Conference Fund Revenue	-	-	-	1,600	1,600
Insurance Recovery Revenue	-	-	-	(767)	(767)
Amounts Available for Appropriation	$14,945,262	$ 30,982	$14,976,244	$15,824,244	$ 848,000
Charges to Appropriations					
Payroll	$13,123,559	$ 4,982	$13,128,541	$11,895,799	$ 1,232,742
Operating	1,371,703	11,000	1,382,703	1,164,059	218,644
Capital Assets	-	15,000	15,000	12,014	2,986
Information Technology Consultants	450,000	-	450,000	438,242	11,758
Conference Expenses	-	-	-	-	-
Total Charges to Appropriations	$14,945,262	$ 30,982	$14,976,244	$13,510,114	$ 1,466,130

Schedule of Employer's Share of Net Pension Liability
ND Public Employee's 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 Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.334400%	$ 9,630,943	$ 3,881,833	248.10%	54.47%
2022	0.325865%	3,396,493	3,690,066	92.04%	78.26%
2021	0.319852%	10,062,612	3,528,355	285.19%	48.91%
2020	0.335716%	3,934,834	3,492,017	112.68%	71.66%
2019	0.360908%	6,090,716	3,707,674	164.27%	62.80%
2018	0.378755%	6,087,836	3,866,491	157.45%	61.98%
2017	0.378334%	3,687,234	3,812,718	96.71%	70.46%
2016	0.356906%	2,426,900	3,179,602	76.33%	77.15%
2015	0.384925%	2,443,201	3,242,528	75.35%	77.70%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 292,368	$ 287,313	$ 5,055	$ 3,881,833	7.40%
2022	272,126	289,939	(17,813)	3,690,066	7.86%
2021	249,838	246,025	3,813	3,528,355	6.97%
2020	254,239	261,137	(6,898)	3,492,017	7.48%
2019	273,086	275,339	(2,253)	3,707,674	7.43%
2018	280,368	287,893	(7,525)	3,866,491	7.45%
2017	276,034	263,759	12,275	3,812,718	6.92%
2016	241,516	246,821	(5,305)	3,179,602	7.76%
2015	230,868	230,868	-	3,242,528	7.12%

The accompanying required supplementary information notes are an integral part of this schedule.

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 (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.286643%	$ 344,060	$ 2,959,320	11.63%	56.28%
2022	0.278527%	154,909	3,036,657	5.10%	76.63%
2021	0.286451%	240,962	3,265,454	7.38%	63.38%
2020	0.312945%	251,353	3,492,017	7.20%	63.13%
2019	0.338843%	266,862	3,707,674	7.20%	61.89%
2018	0.357399%	282,706	3,866,491	7.31%	59.78%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 36,018	$ 35,512	506	$ 2,959,320	1.20%
2022	36,517	39,548	(3,031)	3,036,657	1.30%
2021	38,362	38,829	(467)	3,265,454	1.19%
2020	40,612	41,811	(1,199)	3,492,017	1.20%
2019	43,489	44,085	(596)	3,707,674	1.19%
2018	44,945	46,096	(1,151)	3,866,491	1.19%

The accompanying required supplementary information notes are an integral part of this schedule.

NOTE 1: SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the Office of the State Auditor will present information for those years for which information is available.

NOTE 2: PENSION – CHANGES OF BENEFIT TERMS

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020, will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased 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.

NOTE 3: PENSION – CHANGES OF ASSUMPTIONS

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2022, valuation:

- The investment return assumption was lowered from 7.00% to 6.50%.

All other actuarial assumptions used in the actuarial valuation as of July 1, 2022, were based on an experience review for the period July 1, 2014, to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

NOTE 4: OPEB – 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.

NOTE 5: OPEB – CHANGES OF ASSUMPTIONS

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2022, valuation:

- The investment return assumption was lowered from 6.50% to 5.75%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

CPAs & BUSINESS ADVISORS

Independent Auditor's Comments Requested by the North Dakota Legislative Audit and Fiscal Review Committee

Governor of North Dakota
The Legislative Assembly

Office of the State Auditor
Bismarck, North Dakota

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by independent certified public accountants performing audits of state agencies. The items and our responses regarding the June 30, 2023 and 2022, audits of the Office of the State Auditor are as follows:

Audit Report Communications

1. **What type of opinion was issued on the financial statements?**

   Unmodified

2. **Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?**

   Yes

3. **Was internal control adequate and functioning effectively?**

   Yes

4. **Were there any indications of lack of efficiency in financial operations and management of the agency?**

   No

5. **Was action taken on prior audit findings and recommendations?**

   Yes

6. **Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.**

   No

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Audit Committee Communications

1. **Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions?**

   The Office of the State Auditor has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases.*

2. **Identify any significant accounting estimates and the process used by management to determine those estimates.**

   The most sensitive estimates affecting the financial statements were the valuation of the work-in–process receivables, net pension liability, and net OPEB liability. The estimate of the WIP receivables is based on the percentage of the audit completed divided by the total budgeted hours for the audit. The auditor's conclusion regarding the reasonableness of this estimate is based on accuracy of the estimates based on these factors. Management's estimate of the net pension liability and net OPEB liability are based on an actuary's calculation in accordance with the employment contracts. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

3. **Identify any significant audit adjustments.**

   None

4. **Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to the financial accounting, reporting, or auditing matter that could be significant to the financial statements?**

   None

5. **Identify any serious difficulties encountered in performing the audit.**

   None

6. **Identify any major issues discussed with management prior to retention.**

   None

7. **Identify any management consultations with other accountants about auditing and accounting matters.**

   None

8. **Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions to be assessed by auditors are directly related to the operations of an information technology system.**

   None

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

Eide Bailly LLP

Bismarck, North Dakota
December 1, 2023

CPAs & BUSINESS ADVISORS

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*

Governor of North Dakota
The Legislative Assembly

Office of the State Auditor
Bismarck, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of the State Auditor as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Office of the State Auditor's basic financial statements, and have issued our report thereon dated December 1, 2023.

Report on Internal Control over Financial Reporting

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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.

Eide Bailly LLP

Bismarck, North Dakota
December 1, 2023