



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Pierce County

Rugby, North Dakota

Audit Report for the Year Ended December 31, 2020

*Client Code: PS35000*



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Office of the  
State Auditor

# PIERCE COUNTY

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For the Year Ended December 31, 2020

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# **PIERCE COUNTY**

County Officials and Audit Personnel  
December 31, 2020

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## **COUNTY OFFICIALS**

David Migler  
Mike Brossart  
Mike Christenson  
Terry Hoffert  
Ashley Berg

Chairman  
Vice-Chairman  
Commissioner  
Commissioner  
Commissioner

Karin Fursather  
Josh Siegler  
Lori Miron  
Galen J. Mack  
Karin Fritel

Auditor/Treasurer  
Sheriff  
County Recorder  
State's Attorney  
Clerk of Court

## **AUDIT PERSONNEL**

Heath Erickson, CPA  
Brian Hermanson

Audit Manager  
Audit In-Charge

STATE AUDITOR  
Joshua C. Gallion



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701-328-2241

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## INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Pierce County  
Rugby, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Pierce County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, North Dakota, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 11 to the financial statements, during 2020, Pierce County adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, schedule of district's share of net pension liability and district contributions, and schedule of district's share of net OPEB liability and district 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2021 on our consideration of Pierce County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Pierce County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
March 2, 2021

**PIERCE COUNTY**  
Statement of Net Position  
December 31, 2020

|   | Primary Government      |                          |               | Component Unit          |
|---|-------------------------|--------------------------|---------------|-------------------------|
|   | Governmental Activities | Business-type Activities | Total         | Water Resource District |
| <b>ASSETS</b>                           |                         |                          |               |                         |
| Cash, Cash Equivalents, and Investments | \$ 4,748,350            | \$ 517,252               | \$ 5,265,602  | \$ 77,361               |
| Accounts Receivable                     | 5,677                   | 194,682                  | 200,359       | 1,411                   |
| Intergovernmental Receivable            | 181,703                 | -                        | 181,703       | -                       |
| Taxes Receivable                        | 32,731                  | -                        | 32,731        | 1,346                   |
| Capital Assets, Net                     | 4,096,128               | 1,739,129                | 5,835,257     | -                       |
| Total Assets                            | \$ 9,064,589            | \$ 2,451,063             | \$ 11,515,652 | \$ 80,118               |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                         |                          |               |                         |
| Derived from Pensions & OPEB            | \$ 1,342,683            | \$ 2,181,772             | \$ 3,524,455  | \$ -                    |
| <b>LIABILITIES</b>                      |                         |                          |               |                         |
| Accounts Payable                        | \$ 13,361               | \$ 37,092                | \$ 50,453     | \$ -                    |
| Salaries and Retirement Payable         | 24,779                  | -                        | 24,779        | -                       |
| Grants Received in Advance              | 6,801                   | -                        | 6,801         | -                       |
| Interest Payable                        | 856                     | 117                      | 973           | -                       |
| Non-Current Liabilities                 |                         |                          |               |                         |
| Due Within One Year                     |                         |                          |               |                         |
| Long-Term Debt                          | 6,417                   | 876                      | 7,293         | -                       |
| Compensated Absences Payable            | 12,994                  | 19,239                   | 32,233        | -                       |
| Due After One Year                      |                         |                          |               |                         |
| Long-Term Debt                          | 19,251                  | 2,627                    | 21,878        | -                       |
| Compensated Absences Payable            | 51,976                  | 76,958                   | 128,934       | -                       |
| Net Pension & OPEB Liability            | 2,315,358               | 3,752,759                | 6,068,117     | -                       |
| Total Liabilities                       | \$ 2,451,793            | \$ 3,889,668             | \$ 6,341,461  | \$ -                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>    |                         |                          |               |                         |
| Taxes Received in Advance               | \$ 447,211              | \$ -                     | \$ 447,211    | \$ -                    |
| Derived from Pensions & OPEB            | 458,844                 | 743,700                  | 1,202,544     | -                       |
| Total Deferred Inflows of Resources     | \$ 906,055              | \$ 743,700               | \$ 1,649,755  | \$ -                    |
| <b>NET POSITION</b>                     |                         |                          |               |                         |
| Net Investment in Capital Assets        | \$ 4,096,128            | \$ 1,739,129             | \$ 5,835,257  | \$ -                    |
| Restricted                              |                         |                          |               |                         |
| Highways                                | 1,775,587               | -                        | 1,775,587     | -                       |
| Health and Welfare                      | 13                      | -                        | 13            | -                       |
| Culture and Recreation                  | 33,891                  | -                        | 33,891        | -                       |
| Conserv. of Natural Resources           | 149,800                 | -                        | 149,800       | 80,118                  |
| Capital Projects                        | 250,000                 | -                        | 250,000       | -                       |
| Emergencies                             | 345,083                 | -                        | 345,083       | -                       |
| Other Purposes                          | 4,719                   | -                        | 4,719         | -                       |
| Unrestricted                            | 394,203                 | (1,739,662)              | (1,345,459)   | -                       |
| Total Net Position                      | \$ 7,049,424            | \$ (533)                 | \$ 7,048,891  | \$ 80,118               |

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

**PIERCE COUNTY**

Statement of Activities

For the Year Ended December 31, 2020

| Functions/Programs                    | Program Revenues    |                      |                                    | Net (Expense) Revenue and Changes in Net Position |                          |                       | Component Unit<br>Water Resource District |
|---------------------------------------|---------------------|----------------------|------------------------------------|---|--------------------------|-----------------------|---|
|                                       | Expenses            | Charges for Services | Operating Grants and Contributions | Primary Government                                |                          |                       |   |
|                                       |                     |                      |                                    | Governmental Activities                           | Business-Type Activities | Total                 |   |
| <b>Governmental Activities</b>        |                     |                      |                                    |   |                          |                       |   |
| General Government                    | \$ 1,182,852        | \$ 38,156            | \$ 84,340                          | \$ (1,060,356)                                    | \$ -                     | \$ (1,060,356)        | \$ -                                      |
| Public Safety                         | 851,304             | 82,158               | 39,247                             | (729,899)   | -                        | (729,899)             | -   |
| Highways                              | 2,239,054           | 220,779              | 570,434                            | (1,447,841)                                       | -                        | (1,447,841)           | -   |
| Flood Repair                          | 18,123              | -                    | 27,673                             | 9,550   | -                        | 9,550                 | -   |
| Health and Welfare                    | 254,024             | -                    | 2,033                              | (251,991)   | -                        | (251,991)             | -   |
| Conserv. of Natural Resources         | 243,650             | 6,510                | 975                                | (236,165)   | -                        | (236,165)             | -   |
| Emergencies                           | 6,215               | -                    | -                                  | (6,215)   | -                        | (6,215)               | -   |
| Other                                 | 36,283              | -                    | -                                  | (36,283)  | -                        | (36,283)              | -   |
| Interest on Long-Term Debt            | 429                 | -                    | -                                  | (429)   | -                        | (429)                 | -   |
| <b>Total Governmental Activities</b>  | <b>\$ 4,831,934</b> | <b>\$ 347,603</b>    | <b>\$ 724,702</b>                  | <b>\$ (3,759,629)</b>                             | <b>\$ -</b>              | <b>\$ (3,759,629)</b> | <b>\$ -</b>                               |
| <b>Business-Type Activities</b>       |                     |                      |                                    |   |                          |                       |   |
| HACTC                                 | \$ 3,629,754        | \$ 2,452,677         | \$ -                               | \$ -  | \$ (1,177,077)           | \$ (1,177,077)        | \$ -                                      |
| <b>Total Primary Government</b>       | <b>\$ 8,461,688</b> | <b>\$ 2,800,280</b>  | <b>\$ 724,702</b>                  | <b>\$ (3,759,629)</b>                             | <b>\$ (1,177,077)</b>    | <b>\$ (4,936,706)</b> | <b>\$ -</b>                               |
| <b>Component Unit</b>                 |                     |                      |                                    |   |                          |                       |   |
| Water Resource District               | \$ 48,976           | \$ -                 | \$ -                               | \$ -  | \$ -                     | \$ -                  | \$ (48,976)                               |
| <b>General Revenues</b>               |                     |                      |                                    |   |                          |                       |   |
| Taxes                                 |                     |                      |                                    | \$ 1,505,925                                      | \$ -                     | \$ 1,505,925          | \$ 70,013                                 |
| Unrestricted State Grants             |                     |                      |                                    | 812,916   | -                        | 812,916               | -   |
| Gain on sale of capital asset         |                     |                      |                                    | 159,669   | -                        | 159,669               | -   |
| City Debt Contribution                |                     |                      |                                    | 2,921   | -                        | 2,921                 | -   |
| Unrestricted investment earnings      |                     |                      |                                    | 85,218  | 171                      | 85,389                | 321                                       |
| Miscellaneous revenue                 |                     |                      |                                    | 159,968   | 30,266                   | 190,234               | 256                                       |
| <b>Total General Revenues</b>         |                     |                      |                                    | <b>\$ 2,726,617</b>                               | <b>\$ 30,437</b>         | <b>\$ 2,757,054</b>   | <b>\$ 70,590</b>                          |
| Change in Net Position                |                     |                      |                                    | \$ (1,033,012)                                    | \$ (1,146,640)           | \$ (2,179,652)        | \$ 21,614                                 |
| Net Position - January 1              |                     |                      |                                    | \$ 8,067,180                                      | \$ 1,146,107             | \$ 9,213,287          | \$ 58,504                                 |
| Prior Period Adjustments              |                     |                      |                                    | \$ 15,256   | \$ -                     | \$ 15,256             | \$ -                                      |
| Net Position - January 1, as restated |                     |                      |                                    | \$ 8,082,436                                      | \$ 1,146,107             | \$ 9,228,543          | \$ 58,504                                 |
| Net Position - December 31            |                     |                      |                                    | \$ 7,049,424                                      | \$ (533)                 | \$ 7,048,891          | \$ 80,118                                 |

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

**PIERCE COUNTY**Balance Sheet – Governmental Funds  
December 31, 2020

|  | General             | Special<br>Revenue<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|----------------------------|-------------------|--------------------------------|
| <b>ASSETS</b>  |                     |                            |                   |                                |
| Cash and Investments   | \$ 1,628,851        | \$ 2,869,499               | \$ 250,000        | \$ 4,748,350                   |
| Accounts Receivable  | 4,321               | 1,356                      | -                 | 5,677                          |
| Intergovernmental Receivable   | 119,788             | 61,915                     | -                 | 181,703                        |
| Taxes Receivable   | 22,910              | 9,821                      | -                 | 32,731                         |
| <b>Total Assets</b>  | <b>\$ 1,775,870</b> | <b>\$ 2,942,591</b>        | <b>\$ 250,000</b> | <b>\$ 4,968,461</b>            |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>            |                     |                            |                   |                                |
| Liabilities  |                     |                            |                   |                                |
| Accounts Payable   | \$ 9,227            | \$ 4,134                   | \$ -              | \$ 13,361                      |
| Salaries and Retirement Payable  | 12,195              | 12,584                     | -                 | 24,779                         |
| Grants Received in Advance   | -                   | 6,801                      | -                 | 6,801                          |
| <b>Total Liabilities</b>   | <b>\$ 21,422</b>    | <b>\$ 23,519</b>           | <b>\$ -</b>       | <b>\$ 44,941</b>               |
| Deferred Inflows of Resources  |                     |                            |                   |                                |
| Taxes Received in Advance  | \$ 308,692          | \$ 138,519                 | \$ -              | \$ 447,211                     |
| Taxes Receivable   | 22,910              | 9,821                      | -                 | 32,731                         |
| <b>Total Deferred Inflows of Resources</b>                                     | <b>\$ 331,602</b>   | <b>\$ 148,340</b>          | <b>\$ -</b>       | <b>\$ 479,942</b>              |
| <b>Total Liabilities and Deferred Inflows of Resources</b>                     | <b>\$ 353,024</b>   | <b>\$ 171,859</b>          | <b>\$ -</b>       | <b>\$ 524,883</b>              |
| Fund Balance   |                     |                            |                   |                                |
| Restricted   |                     |                            |                   |                                |
| Public Safety  | \$ -                | \$ 27,155                  | \$ -              | \$ 27,155                      |
| Highways and Bridges   | -                   | 2,172,192                  | -                 | 2,172,192                      |
| Culture and Recreation   | -                   | 33,891                     | -                 | 33,891                         |
| Conserv. of Natural Resources  | -                   | 146,727                    | -                 | 146,727                        |
| Emergencies  | -                   | 386,230                    | -                 | 386,230                        |
| Capital Projects   | -                   | -                          | 250,000           | 250,000                        |
| Other Purposes   | -                   | 4,537                      | -                 | 4,537                          |
| Unassigned   | 1,422,846           | -                          | -                 | 1,422,846                      |
| <b>Total Fund Balances</b>   | <b>\$ 1,422,846</b> | <b>\$ 2,770,732</b>        | <b>\$ 250,000</b> | <b>\$ 4,443,578</b>            |
| <b>Total Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</b> | <b>\$ 1,775,870</b> | <b>\$ 2,942,591</b>        | <b>\$ 250,000</b> | <b>\$ 4,968,461</b>            |

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



**PIERCE COUNTY**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position  
December 31, 2020

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**Total Fund Balances for Governmental Funds** \$ 4,443,578

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. 4,096,128

Property tax receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenues in the funds. 32,731

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 | \$ 1,342,683     |         |
| Deferred Inflows Related to Pensions and OPEB  | <u>(458,844)</u> | 883,839 |

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

|                                |                    |                    |
|--------------------------------|--------------------|--------------------|
| Long-Term Debt                 | \$ (25,668)        |                    |
| Interest Payable               | (856)              |                    |
| Compensated Absences Payable   | (64,970)           |                    |
| Net Pension and OPEB Liability | <u>(2,315,358)</u> | <u>(2,406,852)</u> |

**Total Net Position of Governmental Activities** \$ 7,049,424

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

**PIERCE COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
 For the Year Ended December 31, 2020

|  | General             | Special Revenue Fund | Nonmajor Funds    | Total Governmental Funds |
|--|---------------------|----------------------|-------------------|--------------------------|
| <b>REVENUES</b>                                      |                     |                      |                   |                          |
| Taxes  | \$ 1,008,385        | \$ 498,628           | \$ -              | \$ 1,507,013             |
| Intergovernmental                                    | 824,882             | 712,737              | -                 | 1,537,619                |
| Licenses, Permits and Fees                           | 3,450               | -                    | -                 | 3,450                    |
| Charges for Services                                 | 38,396              | 305,757              | -                 | 344,153                  |
| Interest Income                                      | 85,218              | -                    | -                 | 85,218                   |
| Miscellaneous  | 136,455             | 23,512               | -                 | 159,967                  |
| <b>Total Revenues</b>                                | <b>\$ 2,096,786</b> | <b>\$ 1,540,634</b>  | <b>\$ -</b>       | <b>\$ 3,637,420</b>      |
| <b>EXPENDITURES</b>                                  |                     |                      |                   |                          |
| Current  |                     |                      |                   |                          |
| General Government                                   | \$ 1,108,273        | \$ -                 | \$ -              | 1,108,273                |
| Public Safety  | 649,536             | 132,659              | -                 | 782,195                  |
| Highways and Bridges                                 | -                   | 1,611,968            | -                 | 1,611,968                |
| Flood Repair   | -                   | 18,123               | -                 | 18,123                   |
| Health and Welfare                                   | 51,441              | 209,513              | -                 | 260,954                  |
| Conserv. of Natural Resources                        | -                   | 238,251              | -                 | 238,251                  |
| Emergencies  | -                   | 6,215                | -                 | 6,215                    |
| Other  | 36,283              | -                    | -                 | 36,283                   |
| Debt Service   |                     |                      |                   |                          |
| Principal  | 1,178               | 2,031                | -                 | 3,209                    |
| Interest and Fees                                    | 236                 | 406                  | -                 | 642                      |
| <b>Total Expenditures</b>                            | <b>\$ 1,846,947</b> | <b>\$ 2,219,166</b>  | <b>\$ -</b>       | <b>\$ 4,066,113</b>      |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ 249,839          | \$ (678,532)         | \$ -              | \$ (428,693)             |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                      |                   |                          |
| Transfers In   | \$ 225              | \$ 339,000           | \$ 250,000        | \$ 589,225               |
| Transfers Out  | (254,000)           | (335,225)            | -                 | (589,225)                |
| <b>Total Other Financing Sources and Uses</b>        | <b>\$ (253,775)</b> | <b>\$ 3,775</b>      | <b>\$ 250,000</b> | <b>\$ -</b>              |
| <b>Net Change in Fund Balances</b>                   | <b>\$ (3,936)</b>   | <b>\$ (674,757)</b>  | <b>\$ 250,000</b> | <b>\$ (428,693)</b>      |
| Fund Balances - January 1                            | \$ 1,426,782        | \$ 3,430,233         | \$ -              | \$ 4,857,015             |
| Prior Period Adjustment                              | \$ -                | \$ 15,256            | \$ -              | \$ 15,256                |
| Fund Balances - Jan. 1, as restated                  | \$ 1,426,782        | \$ 3,445,489         | \$ -              | \$ 4,872,271             |
| Fund Balances - December 31                          | \$ 1,422,846        | \$ 2,770,732         | \$ 250,000        | \$ 4,443,578             |

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

**PIERCE COUNTY**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2020

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**Net Change in Fund Balances - Total Governmental Funds** \$ (428,693)

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       | \$ 213,625       |           |
| Current Year Depreciation Expense | <u>(857,765)</u> | (644,140) |

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the gain on the capital assets sold. 159,669

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,130

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 | \$ 13,289  |        |
| Decrease in Interest Payable     | <u>213</u> | 13,502 |

The net pension and OPEB 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 & OPEB Liability                              | \$ (1,165,992) |           |
| Increase in Deferred Outflows of Resources Related to Pensions & OPEB | 842,025        |           |
| Decrease in Deferred Inflows of Resources Related to Pensions & OPEB  | <u>185,576</u> | (138,391) |

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

|                              |  |                |
|------------------------------|--|----------------|
| Decrease in Taxes Receivable |  | <u>(1,089)</u> |
|------------------------------|--|----------------|

**Change in Net Position of Governmental Activities** \$ (1,033,012)

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

**PIERCE COUNTY**

Statement of Net Position - Proprietary Funds  
December 31, 2020

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|   | <u>Business-Type<br/>Activities</u>                               |
|---|---|
|   | <u>Heart of America<br/>Correctional and<br/>Treatment Center</u> |
| <b>ASSETS</b>                                       |   |
| Current Assets                                      |   |
| Cash  | \$ 517,252  |
| Accounts Receivable                                 | 194,682   |
| Total Current Assets                                | <u>\$ 711,934</u>   |
| Noncurrent Assets                                   |   |
| Capital Assets, Net                                 | <u>1,739,129</u>  |
| Total Assets  | <u>\$ 2,451,063</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>               |   |
| Derived from Pensions & OPEB                        | <u>\$ 2,181,772</u>   |
| Total Assets and Deferred Outflows of Resources     | <u>\$ 4,632,835</u>   |
| <b>LIABILITIES</b>                                  |   |
| Current Liabilities                                 |   |
| Accounts Payable                                    | \$ 37,092   |
| Interest Payable                                    | 117   |
| Long-Term Debt                                      | 876   |
| Compensated Absences                                | 19,239  |
| Total Current Liabilities                           | <u>\$ 57,324</u>  |
| Noncurrent Liabilities                              |   |
| Long-Term Debt                                      | \$ 2,627  |
| Compensated Absences                                | 76,958  |
| Net Pension & OPEB Liability                        | 3,752,759   |
| Total Noncurrent Liabilities                        | <u>\$ 3,832,344</u>   |
| Total Liabilities                                   | <u>\$ 3,889,668</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                |   |
| Derived from Pensions & OPEB                        | <u>\$ 743,700</u>   |
| Total Liabilities and Deferred Inflows of Resources | <u>\$ 4,633,368</u>   |
| <b>NET POSITION</b>                                 |   |
| Net Investment in Capital Assets                    | \$ 1,739,129  |
| Unrestricted  | <u>(1,739,662)</u>  |
| Total Net Position                                  | <u>\$ (533)</u>   |

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

**PIERCE COUNTY**

Statement of Revenues, Expenses and changes In Fund Net Position - Proprietary Funds  
For the Year Ended December 31, 2020

---

|  | <u>Business-Type<br/>Activities</u>                               |
|--|---|
|  | <u>Heart of America<br/>Correctional and<br/>Treatment Center</u> |
| <b>OPERATING REVENUES</b>                |   |
| Housing - Security                       | \$ 2,348,729  |
| Laundry Services                         | 42,562  |
| Commission - Turnkey                     | <u>61,388</u>   |
| Total Operating Revenues                 | <u>\$ 2,452,679</u>   |
| <b>OPERATING EXPENSES</b>                |   |
| Payroll and Employee Benefits            | \$ 2,931,102  |
| Utilities                                | 142,539   |
| Medical (Prisoners)                      | 51,052  |
| Kitchen & Laundry                        | 279,935   |
| Professional Fees                        | 3,100   |
| Other Operating Expenses                 | 170,868   |
| Depreciation Expense                     | <u>51,012</u>   |
| Total Operating Expenses                 | <u>\$ 3,629,608</u>   |
| Operating Income (Loss)                  | <u>\$ (1,176,929)</u>   |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |   |
| Interest Income                          | \$ 171  |
| Miscellaneous Revenue                    | 30,264  |
| Interest and Service Charges             | <u>(146)</u>  |
| Total Non-Operating Revenues (Expenses)  | <u>\$ 30,289</u>  |
| Change in Net Position                   | <u>\$ (1,146,640)</u>   |
| Total Net Position - January 1           | <u>\$ 1,146,107</u>   |
| Total Net Position - December 31         | <u><u>\$ (533)</u></u>  |

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

**PIERCE COUNTY**Statement of Cash Flows - Proprietary Funds  
For the Year Ended December 31, 2020

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|  | <u>Business-Type<br/>Activities</u>                               |
|--|---|
|  | <u>Heart of America<br/>Correctional and<br/>Treatment Center</u> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |
| Cash Received from Customers   | \$ 2,479,218  |
| Cash Payments to Suppliers for Goods and Services  | (659,935)   |
| Cash Payments to Employees for Services  | <u>(2,217,082)</u>  |
| Net Cash Used by Operating Activities  | <u>\$ (397,799)</u>   |
| <b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                      |   |
| Miscellaneous  | \$ 30,265   |
| Interest Received  | <u>171</u>  |
| Net Cash Provided by Non-capital and Related Financing Activities  | <u>\$ 30,436</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |   |
| Acquisition of Capital Assets  | \$ (45,316)   |
| Principal on Long-Term Debt  | (876)   |
| Interest Paid  | <u>(175)</u>  |
| Net Cash Used by Capital and Related Financing Activities  | <u>\$ (46,367)</u>  |
| Net Decrease in Cash and Cash Equivalents  | <u>\$ (413,730)</u>   |
| Cash and Cash Equivalents, January 1   | <u>\$ 930,982</u>   |
| Cash and Cash Equivalents, December 31   | <u>\$ 517,252</u>   |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY<br/>OPERATING ACTIVITIES</b>               |   |
| Operating Loss   | <u>\$ (1,176,929)</u>   |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH<br/>PROVIDED BY OPERATING ACTIVITIES</b> |   |
| Depreciation Expense   | \$ 51,012   |
| Change in Assets and Liabilities   |   |
| Decrease in Accounts Receivable  | 26,539  |
| Decrease in Accounts Payable   | (12,442)  |
| Increase in Compensated Absences   | 8,524   |
| Increase in Net Pension & OPEB Liability   | 2,319,893   |
| Increase in Deferred Outflows Derived from Pensions & OPEB   | (1,554,724)   |
| Decrease in Deferred Inflows Derived from Pensions & OPEB  | <u>(59,672)</u>   |
| Total Adjustments  | <u>\$ 779,130</u>   |
| Net Cash Used by Operating Activities  | <u>\$ (397,799)</u>   |

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

**PIERCE COUNTY**

Statement of Fiduciary Net Position – Fiduciary Funds  
December 31, 2020

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|  | Private-Purpose<br>Trust Funds | Custodial<br>Funds  |
|--|--------------------------------|---------------------|
| <b>ASSETS</b>  |                                |                     |
| Cash and cash equivalents                                  | \$ 111,360                     | \$ 1,642,896        |
| <b>LIABILITIES &amp; DERRERED INFLOWS OF<br/>RESOURCES</b> |                                |                     |
| Liabilities  |                                |                     |
| Funds Held for Other Governmental Units                    | \$ -                           | \$ 123,624          |
| Funds Held for Individuals                                 | 111,360                        | -                   |
| Funds Held for Other Purposes                              | -                              | 18,286              |
| Total Liabilities  | <u>\$ 111,360</u>              | <u>\$ 141,910</u>   |
| Deferred Inflows of Resources                              |                                |                     |
| Taxes Received in Advance                                  | \$ -                           | \$ 1,500,986        |
| Total Liabilities and Deferred Inflows of Resources        | <u>\$ 111,360</u>              | <u>\$ 1,642,896</u> |

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

**PIERCE COUNTY**

Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
For the Year Ended December 31, 2020

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|   | Private-Purpose<br>Trust Funds | Custodial<br>Funds  |
|---|--------------------------------|---------------------|
| <b>ADDITIONS</b>                                  |                                |                     |
| Tax Collections for Other Governments             | \$ -                           | \$ 6,270,229        |
| Commissary Collections                            | 581,279                        | -                   |
| Payroll Withholding Collections                   | -                              | 42,729              |
| Grant Collections for Other Governments           | -                              | 116,156             |
| Miscellaneous Collections                         | -                              | 15,035              |
|   | <hr/>                          | <hr/>               |
| Total Additions                                   | <u>\$ 581,279</u>              | <u>\$ 6,444,149</u> |
| <b>DEDUCTIONS</b>                                 |                                |                     |
| Tax Disbursements to Other Governments            | \$ -                           | \$ 6,270,229        |
| Commissary Disbursements                          | 581,279                        | -                   |
| Payroll Withholding Disbursements                 | -                              | 42,729              |
| Grant Disbursements to Other Governments          | -                              | 116,156             |
| Miscellaneous Disbursements                       | -                              | 15,035              |
|   | <hr/>                          | <hr/>               |
| Total Deductions                                  | <u>\$ 581,279</u>              | <u>\$ 6,444,149</u> |
| Net Increase (Decrease) in Fiduciary Net Position | <u>\$ -</u>                    | <u>\$ -</u>         |
| Net Position - Beginning                          | <u>\$ -</u>                    | <u>\$ -</u>         |
| Net Position - Ending                             | <u><u>\$ -</u></u>             | <u><u>\$ -</u></u>  |

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



## PIERCE COUNTY

Notes to the Financial Statements  
For the Year Ended December 31, 2020

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pierce County ("County") 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 County's accounting policies are described below.

#### Reporting Entity

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which the it is financially accountable and other organizations for which the nature and significance of their relationships with the County such that exclusion would cause its 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 Pierce County 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 County.

Based on these criteria, the component unit discussed below is included within the County's reporting entity because of the significance of its operational or financial relationship with the County.

#### **Component Units**

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

*Discretely Presented Component Unit:* The component unit column in the financial statements includes the financial data of the county's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the county.

Pierce County Water Resource District ("Water Resource District") - The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget.

#### Basis of Presentation

*Government-wide statements.* The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental and business-type 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) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category, *governmental* and *fiduciary*, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund - This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund - This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

The County reports the following major enterprise fund:

*HACTC*. This fund accounts for the lease payments received from the Heart of America Correctional and Treatment Center and for the Heart of America Correctional and Treatment Center's employee benefits, which are reimbursed by the Heart of America Correctional and Treatment Center. The major source of revenue has been committed by a board motion.

Additionally, the County reports the following fiduciary funds:

Custodial Fund - These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The custodial funds are mostly used to account for property taxes collected on behalf of other governments.

Private-Purpose Trust Fund - This fund account for commissary assets held by the County in a trust on behalf of the HACTC inmates. The private-purpose trust fund is mostly used to account for commissary activity on behalf of the inmates.

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

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using 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. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*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. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. 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.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

**Cash and Investments**

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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Cash includes amounts in demand deposits and money market accounts.

The investments of the County consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

**Capital Assets**

**Governmental Activities**

Capital assets of the governmental activities, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <b>Assets</b>  | <b>Years</b> |
|----------------|--------------|
| Buildings      | 15 – 100     |
| Equipment      | 5 – 12       |
| Infrastructure | 8 – 20       |

**Business-Type Activities**

Capital assets of the Heart of America Correctional and Treatment Center include vehicles, equipment, and infrastructure. Assets are reported in the business-type activities column in the government-wide financial statements, and in the statement of net position – proprietary funds for business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend asset lives are not capitalized.

**Compensated Absences**

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the County. Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of thirty days. Sick leave benefits are allowed to accumulate up to 60 days. No liability is recorded for sick leave benefits as they are not paid out upon termination.

**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

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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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.

**Fund Balances**

*Minimum Fund Balance Policy.* The County budget committee established a 15-20% general fund carryover balance target to help with financial stability. The 15-20% fund balance range is a part of the budget recommendation adopted by the county each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district.

*Fund Balance Spending Policy.* It is the policy of the County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state and federal governments for various grants & reimbursements).

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

**Net Position**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

**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 transactions, except reimbursements, are reported as transfers.

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

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

**NOTE 2: DEPOSITS**

**Custodial Credit Risk**

Custodial 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 County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

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

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

At year ended December 31, 2020, the County’s carrying amount of deposits totaled \$6,753,384 and the bank balances totaled \$6,800,503. Of the bank balances, \$1,042,650 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

At year ended December 31, 2020, the Water Resource District’s carrying amount of deposits totaled \$77,361, and the bank balances totaled \$77,361, all of which was covered by Federal Depository Insurance.

**NOTE 3: PROPERTY TAXES**

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

**NOTE 4 TRANSFERS**

The following transfers were made during 2020:

|                      | <b>Transfers In</b> | <b>Transfers Out</b> |
|----------------------|---------------------|----------------------|
| General Fund         | \$ 225              | \$ (254,000)         |
| Special Revenue Fund | 339,000             | (335,225)            |
| Nonmajor Fund        | 250,000             | -                    |
| <b>Total</b>         | <b>\$ 589,225</b>   | <b>\$ (589,225)</b>  |

Transfers were primarily done to move excess funds from the Highway fund to the Road & Bridge fund. The County also transferred funds to setup a nonmajor fund for a capital project in 2020.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

**NOTE 5: CAPITAL ASSETS**

**Governmental Activities**

The following is a summary of changes in capital assets for the year ended December 31, 2020:

| <b>Governmental Activities</b>                     | <b>Bal Jan 1<br/>Restated</b> | <b>Increases</b>    | <b>Decreases</b>  | <b>Balance<br/>Dec 31</b> |
|--|-------------------------------|---------------------|-------------------|---------------------------|
| Capital Assets Not Being Depreciated               |                               |                     |                   |                           |
| Land   | \$ 11,500                     | \$ -                | \$ -              | \$ 11,500                 |
| Construction in Progress                           | 26,458                        | -                   | -                 | 26,458                    |
| <b>Total Capital Assets, Not Being Depreciated</b> | <b>\$ 37,958</b>              | <b>\$ -</b>         | <b>\$ -</b>       | <b>\$ 37,958</b>          |
| Capital Assets Being Depreciated                   |                               |                     |                   |                           |
| Buildings  | \$ 1,288,953                  | \$ -                | \$ -              | \$ 1,288,953              |
| Equipment  | 2,280,451                     | 387,125             | 315,194           | 2,352,382                 |
| Infrastructure                                     | 5,512,869                     | -                   | -                 | 5,512,869                 |
| <b>Total Capital Assets, Being Depreciated</b>     | <b>\$ 9,082,273</b>           | <b>\$ 387,125</b>   | <b>\$ 315,194</b> | <b>\$ 9,154,204</b>       |
| Less Accumulated Depreciation                      |                               |                     |                   |                           |
| Buildings  | \$ 337,828                    | \$ 22,438           | \$ -              | \$ 360,266                |
| Equipment  | 1,223,549                     | 363,048             | 301,363           | 1,285,234                 |
| Infrastructure                                     | 2,978,255                     | 472,279             | -                 | 3,450,534                 |
| <b>Total Accumulated Depreciation</b>              | <b>\$ 4,539,632</b>           | <b>\$ 857,765</b>   | <b>\$ 301,363</b> | <b>\$ 5,096,034</b>       |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>\$ 4,542,641</b>           | <b>\$ (470,640)</b> | <b>\$ 13,831</b>  | <b>\$ 4,058,170</b>       |
| <b>Governmental Activities Capital Assets, Net</b> | <b>\$ 4,580,599</b>           | <b>\$ (470,640)</b> | <b>\$ 13,831</b>  | <b>\$ 4,096,128</b>       |

Depreciation expense was charged to functions of the County as follows:

|   |                   |
|---|-------------------|
| General Government  | \$ 24,320         |
| Public Safety   | 63,762            |
| Highways and Bridges  | 764,826           |
| Health and Welfare  | 3,509             |
| Conservation of Natural Resources                           | 1,348             |
| <b>Total Depreciation Expense - Governmental Activities</b> | <b>\$ 857,765</b> |

**Business-Type Activities**

| <b>Business-Type Activities</b>                     | <b>Balance<br/>Jan 1</b> | <b>Increases</b>  | <b>Decreases</b> | <b>Balance<br/>Dec 31</b> |
|---|--------------------------|-------------------|------------------|---------------------------|
| Capital Assets Being Depreciated                    |                          |                   |                  |                           |
| Buildings   | \$ 2,147,250             | \$ 34,675         | \$ -             | \$ 2,181,925              |
| Equipment   | 157,777                  | 10,641            | -                | 168,418                   |
| Infrastructure                                      | 79,531                   | -                 | -                | 79,531                    |
| <b>Total Capital Assets, Being Depreciated</b>      | <b>\$ 2,384,558</b>      | <b>\$ 45,316</b>  | <b>\$ -</b>      | <b>\$ 2,429,874</b>       |
| Less Accumulated Depreciation                       |                          |                   |                  |                           |
| Buildings   | \$ 479,859               | \$ 45,473         | \$ -             | \$ 525,332                |
| Equipment   | 144,497                  | 3,949             | -                | 148,446                   |
| Infrastructure                                      | 15,376                   | 1,591             | -                | 16,967                    |
| <b>Total Accumulated Depreciation</b>               | <b>\$ 639,732</b>        | <b>\$ 51,013</b>  | <b>\$ -</b>      | <b>\$ 690,745</b>         |
| <b>Total Capital Assets Being Depreciated, Net</b>  | <b>\$ 1,744,826</b>      | <b>\$ (5,697)</b> | <b>\$ -</b>      | <b>\$ 1,739,129</b>       |
| <b>Business-Type Activities Capital Assets, Net</b> | <b>\$ 1,744,826</b>      | <b>\$ (5,697)</b> | <b>\$ -</b>      | <b>\$ 1,739,129</b>       |

Depreciation expense was charged to the Heart of America Correctional and Treatment Center.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

**NOTE 6: LONG-TERM LIABILITIES**

**Governmental Activities**

During the year ended December 31, 2020, the following changes occurred in governmental activities long-term liabilities:

| <b>Governmental Activities</b>       | <b>Balance Jan 1</b> | <b>Increases</b>    | <b>Decreases</b> | <b>Balance Dec 31</b> | <b>Due Within One Year</b> |
|--------------------------------------|----------------------|---------------------|------------------|-----------------------|----------------------------|
| Long-Term Debt                       |                      |                     |                  |                       |                            |
| Special Assessments                  | \$ 31,798            | \$ -                | \$ 6,130         | \$ 25,668             | \$ 6,417                   |
| Compensated Absences *               | 78,259               | -                   | 13,289           | 64,970                | 12,994                     |
| Net Pension/OPEB Liability *         | 1,149,366            | 1,165,992           | -                | 2,315,358             | -                          |
| <b>Total Governmental Activities</b> | <b>\$ 1,259,423</b>  | <b>\$ 1,165,992</b> | <b>\$ 19,419</b> | <b>\$ 2,405,996</b>   | <b>\$ 19,411</b>           |

\* - The change in compensated absences and net pension and OPEB liability is shown as a net change.

Debt service requirements on long-term debt is as follows:

| <b>GOVERNMENTAL ACTIVITIES</b> |                            |                 |
|--------------------------------|----------------------------|-----------------|
| <b>Year Ending Dec 31</b>      | <b>Special Assessments</b> |                 |
|                                | <b>Principal</b>           | <b>Interest</b> |
| 2021                           | \$ 6,417                   | \$ 1,027        |
| 2022                           | 6,417                      | 770             |
| 2023                           | 6,417                      | 513             |
| 2024                           | 6,417                      | 257             |
| <b>Total</b>                   | <b>\$ 25,668</b>           | <b>\$ 2,567</b> |

**Business-Type Activities**

| <b>Business-Type Activities</b>       | <b>Balance Jan 1</b> | <b>Increases</b>    | <b>Decreases</b> | <b>Balance Dec 31</b> | <b>Due Within One Year</b> |
|---------------------------------------|----------------------|---------------------|------------------|-----------------------|----------------------------|
| Long-Term Debt                        |                      |                     |                  |                       |                            |
| Special Assessments                   | \$ 4,379             | \$ -                | \$ 876           | \$ 3,503              | \$ 876                     |
| Compensated Absences *                | 87,673               | 8,524               | -                | 96,197                | 19,239                     |
| Net Pension/OPEB Liability *          | 1,432,866            | 2,319,893           | -                | 3,752,759             | -                          |
| <b>Total Business-Type Activities</b> | <b>\$ 1,524,918</b>  | <b>\$ 2,328,417</b> | <b>\$ 876</b>    | <b>\$ 3,852,459</b>   | <b>\$ 20,115</b>           |

\* - The change in compensated absences and net pension and OPEB liability is shown as a net change.

Debt service requirements on long-term debt is as follows:

| <b>BUSINESS-TYPE ACTIVITIES</b> |                            |                 |
|---------------------------------|----------------------------|-----------------|
| <b>Year Ending Dec 31</b>       | <b>Special Assessments</b> |                 |
|                                 | <b>Principal</b>           | <b>Interest</b> |
| 2021                            | \$ 876                     | \$ 140          |
| 2022                            | 876                        | 105             |
| 2023                            | 876                        | 70              |
| 2024                            | 875                        | 35              |
| <b>Total</b>                    | <b>\$ 3,503</b>            | <b>\$ 350</b>   |

**NOTE 7: 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 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 benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

**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



**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 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 December 31, 2020, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

|        | <b>Net Pension Liability</b> |
|--------|------------------------------|
| County | \$ 5,916,502                 |

The net pension liability was measured as of June 30, 2020, 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 pension liability was based on its 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, 2020, the entities had the following proportions, change in proportions, and pension expense:

|        | <b>Proportion</b> | <b>Increase (Decrease) in Proportion from June 30, 2019 Measurement</b> | <b>Pension Expense</b> |
|--------|-------------------|---|------------------------|
| County | 0.188063%         | -0.019022%  | \$ 990,143             |

At December 31, 2020, the following deferred outflows of resources and deferred inflows of resources were reported related to net pension liabilities from the following sources:

|   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|---|---------------------------------------|--------------------------------------|
| Differences Between Expected and Actual Experience  | \$ 23,025                             | \$ 299,795                           |
| Changes of Assumptions  | 3,171,619                             | 524,347                              |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 14,666                                | 356,396                              |
| Employer Contributions Subsequent to the Measurement Date   | 81,686                                | -                                    |
| <b>Total Deferred Outflows and Inflows of Resources</b>   | <b>\$ 3,481,951</b>                   | <b>\$ 1,180,538</b>                  |

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

\$81,686 was 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 December 31, 2020:

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

|      |            |
|------|------------|
| 2021 | \$ 670,223 |
| 2022 | 559,194    |
| 2023 | 443,765    |
| 2024 | 546,545    |
| 2025 | -          |

**Actuarial Assumptions**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |                                    |
|----------------------------|------------------------------------|
| Inflation                  | 2.50%                              |
| Salary Increases           | 3.5% to 17.75% including inflation |
| Investment Rate of Return  | 7.00%, Net of Investment Expenses  |
| Cost-of-Living Adjustments | None                               |

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

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

| <b>Asset Class</b>         | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|----------------------------|--------------------------|---|
| Domestic Equity            | 30%                      | 6.30%   |
| International Equity       | 21%                      | 6.85%   |
| Private Equity             | 7%                       | 9.75%   |
| Domestic Fixed Income      | 23%                      | 1.25%   |
| International Fixed Income | 0%                       | 0.00%   |
| Global Real Assets         | 19%                      | 5.01%   |
| 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.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

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

|   | <b>1% Decrease<br/>(3.64%)</b> | <b>Current<br/>Discount<br/>Rate (4.64%)</b> | <b>1% Increase<br/>(5.64%)</b> |
|---|--------------------------------|--|--------------------------------|
| Proportionate Share<br>of the Net Pension Liability | \$ 7,676,218                   | \$ 5,916,502                                 | \$ 4,476,626                   |

**Pension Plan Fiduciary Net Position**

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

**NOTE 8: 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

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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 December 31, 2020, for its respective proportionate share of the net pension liability, the following net OPEB liabilities were reported:

|        | <b>Net OPEB Liability</b> |
|--------|---------------------------|
| County | \$ 151,615                |

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on the its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the entities had the following proportions, change in proportions, and pension expense:

|        | <b>Proportion</b> | <b>Increase (Decrease) in Proportion from June 30, 2019 Measurement</b> | <b>OPEB Expense</b> |
|--------|-------------------|---|---------------------|
| County | 0.180237%         | -0.012767%  | \$ 18,523           |

At December 31, 2020, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

|   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|---|---------------------------------------|--------------------------------------|
| Differences Between Expected and Actual Experience  | \$ 3,365                              | \$ 3,635                             |
| Changes of Assumptions  | 20,329                                | -                                    |
| Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments                      | 5,214                                 | -                                    |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 293                                   | 18,371                               |
| Employer Contributions Subsequent to the Measurement Date   | 13,303                                | -                                    |
| <b>Total Deferred Outflows and Inflows of Resources</b>   | <b>\$ 42,504</b>                      | <b>\$ 22,006</b>                     |

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

\$13,303 was reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020:

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

|            |          |
|------------|----------|
| 2021       | \$ 1,580 |
| 2022       | 2,928    |
| 2023       | 2,681    |
| 2024       | 1,107    |
| 2025       | (916)    |
| 2026       | (185)    |
| Thereafter | -        |

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |                                   |
|----------------------------|-----------------------------------|
| Inflation                  | 2.25%                             |
| Salary Increases           | Not Applicable                    |
| Investment Rate of Return  | 6.50%, Net of Investment Expenses |
| Cost-of-Living Adjustments | None                              |

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2020 are summarized in the following table:

| Asset Class                 | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Large Cap Domestic Equities | 33%               | 6.10%                                  |
| Small Cap Domestic Equities | 6%                | 7.00%                                  |
| Domestic Fixed Income       | 40%               | 1.15%                                  |
| International Equities      | 21%               | 6.45%                                  |

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. 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

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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

|  | <b>1% Decrease<br/>(5.50%)</b> | <b>Current<br/>Discount<br/>Rate (6.50%)</b> | <b>1% Increase<br/>(7.50%)</b> |
|--|--------------------------------|--|--------------------------------|
| Proportionate Share<br>of the Net OPEB Liability | \$ 198,846                     | \$ 151,615                                   | \$ 111,674                     |

**NOTE 9: RISK MANAGEMENT**

The County is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Pierce County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF for automobile and general liability is limited to losses of four million dollars per occurrence. Public Assets coverage is limited to \$2,133,663.

Pierce County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Pierce County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings 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 four million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Pierce County which includes the Heart of America Correctional and Treatment Center with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Pierce County has workers' compensation with the North Dakota Workforce Safety and Insurance. The County provides health insurance for employees.

**NOTE 10: JOINT VENTURES**

**Lake Region District Health Unit**

Pierce County entered into a joint venture with Ramsey, Benson and Eddy Counties for the operation of the Lake Region District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the property valuation of each county.

Audited summary financial information for the year ended December 31, 2019 is as follows:

|                        | <b>Lake Region District<br/>Health Unit</b> |
|------------------------|---|
| Assets                 | \$ 2,319,179                                |
| Liabilities            | 1,703,252                                   |
| Net Position           | \$ 615,927                                  |
| Total Revenues         | \$ 2,252,728                                |
| Total Expenses         | 2,193,699                                   |
| Net Change in Position | \$ 59,029                                   |

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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Complete financial information can be obtained from Lake Region District Health Unit, Courthouse, Devils Lake, ND 58301.

**Heart of America Library**

Pierce County entered into a joint venture with the City of Rugby for the operation of the Heart of America Library. Pierce County and the City of Rugby share of the cost of operations is determined by the mill levy allowed for libraries for each entity. Board member appointments consist of four members appointed by the county, four members appointed by the city and one member from each governing board.

Unaudited summary financial information for the year ended December 31, 2020 is as follows:

|                        | <b>Heart of<br/>America Library</b> |
|------------------------|-------------------------------------|
| Cash and Investments   | \$ 339,264                          |
| Total Revenues         | \$ 202,933                          |
| Total Expenses         | 153,157                             |
| Net Change in Position | \$ 49,776                           |

Complete financial information can be obtained from Heart of America Library, 201 Third Street SW, Rugby, ND 58368.

**Devils Lake Basin Joint Water Resource District**

Under authorization of state statutes, the Pierce County Water Resource District joined the water resource districts of Rolette County, Benson County, Nelson County, Ramsey County, Cavalier County, Towner County and Walsh County to establish and operate a joint exercise of powers agreement for water management districts located within the Devils Lake Basin. The joint agreement created the Devils Lake Basin Joint Water Resource Board. The agreement was established for the mutual advantage of the governments. One member of the directors for the joint venture is appointed by each government. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and net position cannot be determined due to lack of provisions being made for this in the joint powers agreement.

The following is summary financial information for the joint venture as of December 31, 2012, which is the most current audited information.

|                        | <b>Devils Lake<br/>Basin Joint WRD</b> |
|------------------------|--|
| Cash and Investments   | \$ 203,175                             |
| Total Liabilities      | -                                      |
| Total Net Position     | \$ 203,175                             |
| Total Revenues         | \$ 133,439                             |
| Total Expenses         | 169,563                                |
| Net Change in Position | \$ (36,124)                            |

Complete financial information can be obtained from the Devils Lake Basin Joint Water Resource District, 524 4th Avenue NE, #27, Devils Lake, ND 58301.

**PIERCE COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 11: PRIOR PERIOD ADJUSTMENTS**

**Change in Accounting Principle – GASB 84 – Fiduciary Activities:**

Pierce County adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities* during 2020.

The result of implementing GASB 84 increased beginning net position for the County by a total of \$15,256.

| <b>Governmental Activities</b>                                 | <b>Amounts</b> |
|--|----------------|
| Beginning Net Position, as previously reported                 | \$ 8,067,180   |
| <b>Adjustments to restate the January 1, 2020 Net Position</b> |                |
| Reclassification of Funds                                      | 15,256         |
| Net Position January 1, as restated                            | \$ 8,082,436   |

Additionally, the result of implementing GASB 84 increased beginning Special Revenue Fund governmental fund balance for the County by a total of \$15,256.

| <b>Special Revenue Fund:</b>                                    | <b>Amounts</b> |
|---|----------------|
| Beginning Special Revenue Fund Balance, as previously reported  | \$ 3,430,233   |
| <b>Adjustments to restate the January 1, 2020 Fund Balance:</b> |                |
| Reclassification of Funds                                       | 15,256         |
| Net Assets January 1, as restated                               | \$ 3,445,489   |



**PIERCE COUNTY**

Budgetary Comparison Schedule – General Fund  
 For the Year Ended December 31, 2020

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| <b>REVENUES</b>                                      |                     |                     |                     |                               |
| Taxes  | \$ 1,018,532        | \$ 1,018,532        | \$ 1,008,385        | \$ (10,147)                   |
| Intergovernmental                                    | 609,499             | 609,499             | 824,882             | 215,383                       |
| Licenses, Permits and Fees                           | 3,450               | 3,450               | 3,450               | -                             |
| Charges for Services                                 | 40,200              | 40,200              | 38,396              | (1,804)                       |
| Interest Income                                      | 60,000              | 60,000              | 85,218              | 25,218                        |
| Miscellaneous  | 121,849             | 121,849             | 136,455             | 14,606                        |
| <b>Total Revenues</b>                                | <b>\$ 1,853,530</b> | <b>\$ 1,853,530</b> | <b>\$ 2,096,786</b> | <b>\$ 243,256</b>             |
| <b>EXPENDITURES</b>                                  |                     |                     |                     |                               |
| Current  |                     |                     |                     |                               |
| General Government                                   | \$ 1,324,306        | \$ 1,324,306        | \$ 1,108,273        | \$ 216,033                    |
| Public Safety  | 973,729             | 973,729             | 649,536             | 324,193                       |
| Health and Welfare                                   | 54,150              | 54,150              | 51,441              | 2,709                         |
| Conserv. of Natural Resources                        | 1,100               | 1,100               | -                   | 1,100                         |
| Other  | 194,153             | 194,153             | 36,283              | 157,870                       |
| Debt Service   |                     |                     |                     |                               |
| Principal  | -                   | -                   | 1,178               | (1,178)                       |
| Interest and Fees                                    | -                   | -                   | 236                 | (236)                         |
| <b>Total Expenditures</b>                            | <b>\$ 2,547,438</b> | <b>\$ 2,547,438</b> | <b>\$ 1,846,947</b> | <b>\$ 700,491</b>             |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ (693,908)        | \$ (693,908)        | \$ 249,839          | \$ 943,747                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                     |                     |                               |
| Transfers In   | \$ -                | \$ -                | \$ 225              | \$ 225                        |
| Transfers Out  | (5,982)             | (5,982)             | (254,000)           | (248,018)                     |
| <b>Total Other Financing Sources (Uses)</b>          | <b>\$ (5,982)</b>   | <b>\$ (5,982)</b>   | <b>\$ (253,775)</b> | <b>\$ (247,793)</b>           |
| <b>Net Change in Fund Balances</b>                   | <b>\$ (699,890)</b> | <b>\$ (699,890)</b> | <b>\$ (3,936)</b>   | <b>\$ 695,954</b>             |
| Fund Balances - January 1                            | \$ 1,426,782        | \$ 1,426,782        | \$ 1,426,782        | \$ -                          |
| <b>Fund Balances - December 31</b>                   | <b>\$ 726,892</b>   | <b>\$ 726,892</b>   | <b>\$ 1,422,846</b> | <b>\$ 695,954</b>             |

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

**PIERCE COUNTY**

Budgetary Comparison Schedule – Special Revenue Fund  
 For the Year Ended December 31, 2020

|  | Original<br>Budget    | Final<br>Budget       | Actual              | Variance with<br>Final Budget |
|--|-----------------------|-----------------------|---------------------|-------------------------------|
| <b>REVENUES</b>                                      |                       |                       |                     |                               |
| Taxes  | \$ 516,781            | \$ 516,781            | \$ 498,628          | \$ (18,153)                   |
| Intergovernmental                                    | 706,040               | 706,040               | 712,737             | 6,697                         |
| Charges for Services                                 | 298,336               | 298,336               | 305,757             | 7,421                         |
| Miscellaneous  | 191,750               | 191,750               | 23,512              | (168,238)                     |
| <b>Total Revenues</b>                                | <b>\$ 1,712,907</b>   | <b>\$ 1,712,907</b>   | <b>\$ 1,540,634</b> | <b>\$ (172,273)</b>           |
| <b>EXPENDITURES</b>                                  |                       |                       |                     |                               |
| Current  |                       |                       |                     |                               |
| Public Safety  | \$ 154,178            | \$ 154,178            | \$ 132,659          | \$ 21,519                     |
| Highways and Bridges                                 | 2,319,341             | 2,349,201             | 1,611,968           | 737,233                       |
| Flood Repair   | 18,123                | 18,123                | 18,123              | -                             |
| Health and Welfare                                   | 210,613               | 210,613               | 209,513             | 1,100                         |
| Conserv. of Natural Resources                        | 263,450               | 263,450               | 238,251             | 25,199                        |
| Emergencies  | 276,514               | 276,514               | 6,215               | 270,299                       |
| Debt Service   |                       |                       |                     |                               |
| Principal  | -                     | -                     | 2,031               | (2,031)                       |
| Interest and Fees                                    | -                     | -                     | 406                 | (406)                         |
| <b>Total Expenditures</b>                            | <b>\$ 3,242,219</b>   | <b>\$ 3,272,079</b>   | <b>\$ 2,219,166</b> | <b>\$ 1,052,913</b>           |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ (1,529,312)        | \$ (1,559,172)        | \$ (678,532)        | \$ 880,640                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                       |                       |                     |                               |
| Transfers In   | \$ 844,000            | \$ 844,000            | \$ 339,000          | \$ (505,000)                  |
| Transfers Out  | (835,000)             | (835,000)             | (335,225)           | 499,775                       |
| <b>Total Other Financing Sources (Uses)</b>          | <b>\$ 9,000</b>       | <b>\$ 9,000</b>       | <b>\$ 3,775</b>     | <b>\$ (5,225)</b>             |
| <b>Net Change in Fund Balances</b>                   | <b>\$ (1,520,312)</b> | <b>\$ (1,550,172)</b> | <b>\$ (674,757)</b> | <b>\$ 875,415</b>             |
| Fund Balances - January 1                            | \$ 3,430,233          | \$ 3,430,233          | \$ 3,430,233        | \$ -                          |
| Prior Period Adjustment                              | \$ -                  | \$ -                  | \$ 15,256           | \$ 15,256                     |
| Fund Balances - January 1 Restated                   | \$ 3,430,233          | \$ 3,430,233          | \$ 3,445,489        | \$ 15,256                     |
| Fund Balances - December 31                          | \$ 1,909,921          | \$ 1,880,061          | \$ 2,770,732        | \$ 890,671                    |

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

**PIERCE COUNTY**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 For the Year Ended December 31, 2020

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

|      | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered-Employee Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------|---|--|--------------------------|--|--|
| 2020 | 0.188063%                                       | \$ 5,916,502   | \$ 2,074,567             | 285.19%  | 48.91%   |
| 2019 | 0.207085%                                       | 2,427,186  | 2,154,032                | 112.68%  | 71.66%   |
| 2018 | 0.226311%                                       | 3,819,245  | 2,324,928                | 164.27%  | 62.80%   |
| 2017 | 0.225914%                                       | 3,631,179  | 2,306,229                | 157.45%  | 61.98%   |
| 2016 | 0.236958%                                       | 2,309,387  | 2,387,981                | 96.71%   | 70.46%   |
| 2015 | 0.222433%                                       | 1,512,506  | 1,981,611                | 76.33%   | 77.15%   |

**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) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|------|---------------------------------|--|----------------------------------|--------------------------|---|
| 2020 | \$ 146,897                      | \$ 142,799   | \$ 4,098                         | \$ 2,074,567             | 6.88%   |
| 2019 | 156,826                         | 166,645  | (9,819)                          | 2,154,032                | 7.74%   |
| 2018 | 171,241                         | 166,176  | 5,065                            | 2,324,928                | 7.15%   |
| 2017 | 167,230                         | 171,436  | (4,206)                          | 2,306,229                | 7.43%   |
| 2016 | 172,886                         | 166,344  | 6,542                            | 2,387,981                | 6.97%   |
| 2015 | 150,519                         | 153,449  | (2,930)                          | 1,981,611                | 7.74%   |

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end

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

**PIERCE COUNTY**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
 For the Year Ended December 31, 2020

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

|      | Proportion of the Net OPEB Liability (Asset) | Proportionate Share of the Net OPEB (Asset) | Covered-Employee Payroll | Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|------|--|---|--------------------------|---|---|
| 2020 | 0.180237%                                    | \$ 151,615                                  | \$ 2,054,652             | 7.38%   | 63.38%  |
| 2019 | 0.193004%                                    | 155,046                                     | 2,154,032                | 7.20%   | 63.13%  |
| 2018 | 0.212474%                                    | 167,338                                     | 2,324,928                | 7.20%   | 61.89%  |

**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) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|------|---------------------------------|--|----------------------------------|--------------------------|---|
| 2020 | \$ 24,138                       | \$ 22,864  | 1,274                            | \$ 2,054,652             | 1.11%   |
| 2019 | 25,051                          | 26,682   | (1,631)                          | 2,154,032                | 1.24%   |
| 2018 | 27,270                          | 26,606   | 664                              | 2,324,928                | 1.14%   |

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end

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

# PIERCE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2020

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## NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

- The County commission adopts an “appropriated budget” on the modified accrual basis of accounting.
- The County auditor prepares an annual budget for the general fund and each special revenue fund of the County. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.
- The County commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The board of County commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the County auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

## NOTE 2 LEGAL COMPLIANCE – BUDGETS

### Budget Amendments

The board of County commissioners amended the County expenditures and transfers budget for various funds as follows:

|                      | EXPENDITURES/TRANSFERS OUT |                  |                |
|----------------------|----------------------------|------------------|----------------|
|                      | Original Budget            | Budget Amendment | Amended Budget |
| Special Revenue Fund | \$ 4,077,219               | \$ 29,860        | \$ 4,107,079   |

## NOTE 3 CHANGES OF BENEFIT TERMS

### Pension

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

### OPEB

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, 2018.

**NOTE 4 CHANGES OF ASSUMPTIONS**

**Pension**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.50% to 7.00%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation.
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation.
- Mortality table updates were made for the July 1, 2020 valuation.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**OPEB**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**NOTE 5 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, information will be presented for those years for which information is available.

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## 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*

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### Independent Auditor's Report

Board of County Commissioners  
Pierce County  
Rugby, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and aggregate remaining fund information of Pierce County as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Pierce County's basic financial statements, and have issued our report thereon dated March 2, 2021.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2019-001 and 2019-002 that we consider to be material weaknesses.

**PIERCE COUNTY**

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* - Continued

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**Compliance and Other Matters**

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

**Pierce County's Response to Findings**

Pierce County's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Pierce County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
March 2, 2021



**PIERCE COUNTY**

Summary of Auditor's Results  
For the Year Ended December 31, 2020

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**Financial Statements**

Type of Report Issued:

|                                      |            |
|--------------------------------------|------------|
| Governmental Activities              | Unmodified |
| Business-Type Activities             | Unmodified |
| Discretely Presented Component Unit  | Unmodified |
| Major Funds                          | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

**Internal control over financial reporting**

|   |                |                       |
|---|----------------|-----------------------|
| Material weaknesses identified?   | <u> X </u> Yes | <u> </u> None Noted   |
| Significant deficiencies identified not considered to be material weaknesses? | <u> </u> Yes   | <u> X </u> None Noted |
| Noncompliance material to financial statements noted?                         | <u> </u> Yes   | <u> X </u> None Noted |

**PIERCE COUNTY**

Schedule of Audit Findings

For the Year Ended December 31, 2020

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**2020-001 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS**

**Condition**

Pierce County currently does not prepare the financial statements, including the various adjusting entries, and accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

**Effect**

There is an increased risk of material misstatement to Pierce County's financial statements.

**Cause**

Management chooses not to allocate County resources for preparation of the financial statements.

**Criteria**

Pierce County is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend Pierce County consider the additional risk of having the auditors assist in the preparation of the financial statements, adjusting journal entries, and note disclosures and consider preparing them in the future.

**Pierce County's Response**

Agree. Pierce County is aware that there is a risk having the State Auditor's Office prepare and approve our financial statements, adjusting journal entries, and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

**PIERCE COUNTY**

Schedule of Audit Findings – Continued

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**2020-002 LACK OF SEGREGATION OF DUTIES – COUNTY & WATER RESOURCE DISTRICT – MATERIAL WEAKNESS**

**Condition**

Pierce County and Pierce County Water Resource District have one Secretary/Treasurer responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the County's and Water Resource District's financial condition, whether due to error or fraud.

**Cause**

Management has chosen to allocate its economic resources to other functions of the County and Water Resource District.

**Criteria**

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the County and Water Resource District.

**Prior Recommendation**

Yes.

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

**Pierce County's and Water Resource District's Response**

Agree. Pierce County and Pierce County Water Resource District agree and will segregate duties as it becomes feasible.

STATE AUDITOR  
Joshua C. Gallion



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## GOVERNANCE COMMUNICATION

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Board of County Commissioners  
Pierce County  
Rugby, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County, North Dakota, for the year ended December 31, 2020 which collectively comprise Pierce County's basic financial statements, and have issued our report thereon dated March 2, 2021. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated January 26, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Pierce County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Pierce County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Pierce County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**PIERCE COUNTY**

Governance Communication – Continued

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules list all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

| 2020 Adjustments                                    | Client Provided Adjustments |         | Audit Adjustments |        | Total Adjustment |         |
|---|-----------------------------|---------|-------------------|--------|------------------|---------|
|   | Debit                       | Credit  | Debit             | Credit | Debit            | Credit  |
| <b>Governmental Activities</b>                      |                             |         |                   |        |                  |         |
| <u>To Record Client Provided Adjustments</u>        |                             |         |                   |        |                  |         |
| Intergovernmental Receivable                        | 181,703                     | -       | -                 | -      | 181,703          | -       |
| Revenue   | -                           | 181,703 | -                 | -      | -                | 181,703 |
| <u>To Record Client Provided Adjustments</u>        |                             |         |                   |        |                  |         |
| Accounts Receivable                                 | 5,677                       | -       | -                 | -      | 5,677            | -       |
| Revenue   | -                           | 5,677   | -                 | -      | -                | 5,677   |
| <u>To Record Client Provided Adjustments</u>        |                             |         |                   |        |                  |         |
| Expenditures  | 38,140                      | -       | -                 | -      | 38,140           | -       |
| Salaries Payable                                    | -                           | 24,779  | -                 | -      | -                | 24,779  |
| Accounts Payable                                    | -                           | 13,361  | -                 | -      | -                | 13,361  |
| <u>To Record Unearned Revenue in the FEMA Funds</u> |                             |         |                   |        |                  |         |
| Revenue   | -                           | -       | 6,801             | -      | 6,801            | -       |
| Unearned Revenue                                    | -                           | -       | -                 | 6,801  | -                | 6,801   |
| <b>Business-Type Activities Funds</b>               |                             |         |                   |        |                  |         |
| <u>To Record Client Provided Adjustments</u>        |                             |         |                   |        |                  |         |
| Expenditures  | 37,092                      | -       | -                 | -      | 37,092           | -       |
| Accounts Payable                                    | -                           | 37,092  | -                 | -      | -                | 37,092  |
| <u>To Record Client Provided Adjustments</u>        |                             |         |                   |        |                  |         |
| Accounts Receivable                                 | 194,682                     | -       | -                 | -      | 194,682          | -       |
| Revenue   | -                           | 194,682 | -                 | -      | -                | 194,682 |

**Disagreements with Management**

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

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated March 2, 2021.

**Management Consultations with Other Independent Accountants**

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

**Difficulties Encountered in Performing the Audit**

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

**PIERCE COUNTY**

Governance Communication – Continued

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**Other Audit Findings or Issues**

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

This information is intended solely for the use of the Board of County Commissioners and management of Pierce County, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Pierce County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Pierce County.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
March 2, 2021



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505