



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, 2022

Client Code: PS35000



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Office of the
State Auditor

PIERCE COUNTY

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PIERCE COUNTY

County Officials
December 31, 2022

COUNTY OFFICIALS

Terry Hoffert
David Bednarz
Joe Bohl
David Migler
Mike Christenson

Karen Migler
Josh Siegler
Lori Miron
Galen J. Mack
Karin Fritel

Chairman
Commissioner
Commissioner
Commissioner
Commissioner

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

STATE AUDITOR
Joshua C. Gallion



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STATE CAPITOL
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pierce County
Rugby, North Dakota

Report on the Financial Statements

Opinions

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, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Pierce County's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2021 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing our audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pierce County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pierce County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 November 15, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pierce County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pierce County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 15, 2023

PIERCE COUNTY

Statement of Net Position

December 31, 2022

	Primary Government			Component Unit
	Governmental	Business-type	Total	Water
	Activities	Activities		Resource
				District
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 5,863,885	\$ -	\$ 5,863,885	\$ 48,916
Accounts Receivable	33,553	255,048	288,601	1,411
Intergovernmental Receivable	185,972	-	185,972	-
Taxes Receivable	47,395	-	47,395	1,824
Capital Assets, Net	3,091,394	1,867,918	4,959,312	-
Total Assets	\$ 9,222,199	\$ 2,122,966	\$ 11,345,165	\$ 52,151
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pensions & OPEB	\$ 1,431,475	\$ 2,258,951	\$ 3,690,426	\$ -
LIABILITIES				
Accounts Payable	\$ 155,961	\$ 62,830	\$ 218,791	\$ 4,300
Cash Overdraft liability	-	2,914	2,914	-
Salaries and Retirement Payable	38,141	22,741	60,882	-
Grants Received in Advance	595,842	-	595,842	-
Interest Payable	428	58	486	-
Non-Current Liabilities				
Due Within One Year				
Long-Term Debt	6,417	876	7,293	-
Compensated Absences Payable	12,480	15,133	27,613	-
Due After One Year				
Long-Term Debt	6,417	876	7,293	-
Compensated Absences Payable	49,919	60,533	110,452	-
Net Pension & OPEB Liability	2,124,580	3,343,609	5,468,189	-
Total Liabilities	\$ 2,990,185	\$ 3,509,570	\$ 6,499,755	\$ 4,300
DEFERRED INFLOWS OF RESOURCES				
Taxes Received in Advance	\$ 450,620	\$ -	\$ 450,620	\$ -
Derived from Pensions & OPEB	916,642	1,442,587	2,359,229	-
Total Deferred Inflows of Resources	\$ 1,367,262	\$ 1,442,587	\$ 2,809,849	\$ -
NET POSITION				
Net Investment in Capital Assets	\$ 3,091,394	\$ 1,867,918	\$ 4,959,312	\$ -
Restricted				
Highways	2,366,338	-	2,366,338	-
Health and Welfare	2,408	-	2,408	-
Conserv. of Natural Resources	156,144	-	156,144	47,851
Emergencies	498,457	-	498,457	-
Unrestricted	181,486	(2,438,158)	(2,256,672)	-
Total Net Position	\$ 6,296,227	\$ (570,240)	\$ 5,725,987	\$ 47,851

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

PIERCE COUNTY

Statement of Activities

For the Year Ended December 31, 2022

					Net (Expense) Revenue and Changes in Net Position				
Program Revenues					Primary Government			Component Unit	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	Water Resource District	
Governmental Activities									
General Government	\$ 1,353,272	\$ 75,307	\$ 211,554	\$ 50,000	\$ (1,016,411)	\$ -	\$ (1,016,411)	\$ -	
Public Safety	1,526,564	122,504	109,410	-	(1,294,650)	-	(1,294,650)	-	
Highways	2,556,055	232,815	1,612,130	-	(711,110)	-	(711,110)	-	
Health and Welfare	22,485	-	-	-	(22,485)	-	(22,485)	-	
Culture and Recreation	36,198	-	-	-	(36,198)	-	(36,198)	-	
Conserv. of Natural Resources	224,621	4,862	24,598	-	(195,161)	-	(195,161)	-	
Other	78,490	-	-	-	(78,490)	-	(78,490)	-	
Interest on Long-Term Debt	171	-	-	-	(171)	-	(171)	-	
Total Governmental Activities	\$ 5,797,856	\$ 435,488	\$ 1,957,692	\$ 50,000	\$ (3,354,676)	\$ -	\$ (3,354,676)	\$ -	
Business-Type Activities									
HACTC	\$ 3,606,231	\$ 2,586,153	\$ -	\$ -	\$ -	\$ (1,020,078)	\$ (1,020,078)	\$ -	
Total Business-Type Activities	\$ 3,606,231	\$ 2,586,153	\$ -	\$ -	\$ -	\$ (1,020,078)	\$ (1,020,078)	\$ -	
Total Primary Government	\$ 9,404,087	\$ 3,021,641	\$ 1,957,692	\$ 50,000	\$ (3,354,676)	\$ (1,020,078)	\$ (4,374,754)	\$ -	
Component Unit									
Water Resource District	\$ 86,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (86,572)	
General Revenues									
Taxes					\$ 2,029,512	\$ -	\$ 2,029,512	\$ 86,985	
Unrestricted State Grants					714,329	-	714,329	-	
City Debt Contribution					3,212	-	3,212	-	
Unrestricted investment earnings					26,924	280	27,204	75	
Miscellaneous revenue					282,286	60,116	342,402	936	
Transfers - Net					(200,000)	200,000	-	-	
Total General Revenues					\$ 2,856,263	\$ 260,396	\$ 3,116,659	\$ 87,996	
Change in Net Position					\$ (498,413)	\$ (759,682)	\$ (1,258,095)	\$ 1,424	
Net Position - January 1					\$ 6,788,533	\$ 189,442	\$ 6,977,975	\$ 46,427	
Prior Period Adjustments					\$ 6,107	\$ -	\$ 6,107	\$ -	
Net Position - January 1, as restated					\$ 6,794,640	\$ 189,442	\$ 6,984,082	\$ 46,427	
Net Position - December 31					\$ 6,296,227	\$ (570,240)	\$ 5,725,987	\$ 47,851	

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

PIERCE COUNTY

Balance Sheet – Governmental Funds

December 31, 2022

	General	Special Revenue Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,558,508	\$ 4,287,322	\$ 18,055	\$ 5,863,885
Accounts Receivable	23,413	10,140	-	33,553
Intergovernmental Receivable	93,343	92,629	-	185,972
Taxes Receivable	35,159	12,236	-	47,395
Total Assets	<u>\$ 1,710,423</u>	<u>\$ 4,402,327</u>	<u>\$ 18,055</u>	<u>\$ 6,130,805</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 7,188	\$ 107,545	\$ 41,228	\$ 155,961
Salaries and Retirement Payable	13,579	24,562	-	38,141
Grants Received in Advance	-	595,842	-	595,842
Total Liabilities	<u>\$ 20,767</u>	<u>\$ 727,949</u>	<u>\$ 41,228</u>	<u>\$ 789,944</u>
Deferred Inflows of Resources				
Taxes Received in Advance	\$ 344,182	\$ 106,438	\$ -	\$ 450,620
Taxes Receivable	35,159	12,236	-	47,395
Total Deferred Inflows of Resources	<u>\$ 379,341</u>	<u>\$ 118,674</u>	<u>\$ -</u>	<u>\$ 498,015</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 400,108</u>	<u>\$ 846,623</u>	<u>\$ 41,228</u>	<u>\$ 1,287,959</u>
Fund Balance				
Restricted				
Public Safety	\$ -	\$ 137,231	\$ -	\$ 137,231
Highways and Bridges	-	2,809,928	-	2,809,928
Health and Welfare	-	2,246	-	2,246
Conserv. of Natural Resources	-	152,359	-	152,359
Emergencies	-	497,204	-	497,204
General Government	-	266	-	266
Unassigned	1,310,315	(43,530)	(23,173)	1,243,612
Total Fund Balances	<u>\$ 1,310,315</u>	<u>\$ 3,555,704</u>	<u>\$ (23,173)</u>	<u>\$ 4,842,846</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,710,423</u>	<u>\$ 4,402,327</u>	<u>\$ 18,055</u>	<u>\$ 6,130,805</u>

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, 2022

Total Fund Balances for Governmental Funds	\$ 4,842,846
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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.	3,091,394
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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.	47,395
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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	\$ 1,431,475	
Deferred Inflows Related to Pensions and OPEB	<u>(916,642)</u>	514,833

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	\$ (12,834)	
Interest Payable	(428)	
Compensated Absences Payable	(62,399)	
Net Pension and OPEB Liability	<u>(2,124,580)</u>	<u>(2,200,241)</u>

Total Net Position of Governmental Activities	<u><u>\$ 6,296,227</u></u>
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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, 2022

	General	Special Revenue Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,488,280	\$ 524,432	\$ -	\$ 2,012,712
Intergovernmental	777,043	1,944,979	-	2,722,022
Licenses, Permits and Fees	3,450	-	-	3,450
Charges for Services	83,634	348,405	-	432,039
Interest Income	25,193	1,731	-	26,924
Miscellaneous	115,927	166,358	-	282,285
Total Revenues	\$ 2,493,527	\$ 2,985,905	\$ -	\$ 5,479,432
EXPENDITURES				
Current				
General Government	\$ 1,244,598	\$ 203,808	\$ -	1,448,406
Public Safety	876,996	101,033	373,173	1,351,202
Highways and Bridges	-	1,695,660	-	1,695,660
Health and Welfare	9,951	9,025	-	18,976
Culture and Recreation	36,198	-	-	36,198
Conserv. of Natural Resources	700	222,761	-	223,461
Other	78,490	-	-	78,490
Debt Service				
Principal	3,208	-	-	3,208
Interest and Fees	385	-	-	385
Total Expenditures	\$ 2,250,526	\$ 2,232,287	\$ 373,173	\$ 4,855,986
Excess (Deficiency) of Revenues Over Expenditures	\$ 243,001	\$ 753,618	\$ (373,173)	\$ 623,446
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 493,921	\$ -	\$ 493,921
Transfers Out	(221,921)	(472,000)	-	(693,921)
Total Other Financing Sources and Uses	\$ (221,921)	\$ 21,921	\$ -	\$ (200,000)
Net Change in Fund Balances	\$ 21,080	\$ 775,539	\$ (373,173)	\$ 423,446
Fund Balances - January 1	\$ 1,283,128	\$ 2,780,165	\$ 350,000	\$ 4,413,293
Prior Period Adjustment	\$ 6,107	\$ -	\$ -	\$ 6,107
Fund Balances - Jan. 1, as restated	\$ 1,289,235	\$ 2,780,165	\$ 350,000	\$ 4,419,400
Fund Balances - December 31	\$ 1,310,315	\$ 3,555,704	\$ (23,173)	\$ 4,842,846

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, 2022

Net Change in *Fund Balances* - Total Governmental Funds **\$ 423,446**

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	\$ 331,494	
Current Year Depreciation Expense	<u>(829,272)</u>	(497,778)

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

Repayment of Long-Term Debt		6,420
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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	\$ 7,411	
Decrease in Interest Payable	<u>214</u>	7,625

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	\$ (1,406,639)	
Increase in Deferred Outflows of Resources Related to Pensions & OPEB	623,701	
Decrease in Deferred Inflows of Resources Related to Pensions & OPEB	<u>328,012</u>	(454,926)

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>16,800</u>
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Change in Net Position of Governmental Activities **\$ (498,413)**

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

PIERCE COUNTY

Statement of Net Position - Proprietary Funds

December 31, 2022

	Heart of America Correctional and Treatment Center
ASSETS	
Current Assets	
Accounts Receivable	<u>\$ 255,048</u>
Noncurrent Assets	
Capital Assets, Net	<u>1,867,918</u>
Total Assets	<u>\$ 2,122,966</u>
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions & OPEB	<u>\$ 2,258,951</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,381,917</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 62,830
Cash Overdraft Liability	2,914
Salaries and Retirement Payable	22,741
Interest Payable	58
Long-Term Debt	876
Compensated Absences	15,133
Total Current Liabilities	<u>\$ 104,552</u>
Noncurrent Liabilities	
Long-Term Debt	\$ 876
Compensated Absences	60,533
Net Pension & OPEB Liability	3,343,609
Total Noncurrent Liabilities	<u>\$ 3,405,018</u>
Total Liabilities	<u>\$ 3,509,570</u>
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions & OPEB	<u>\$ 1,442,587</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,952,157</u>
NET POSITION	
Net Investment in Capital Assets	\$ 1,867,918
Unrestricted	<u>(2,438,158)</u>
Total Net Position	<u>\$ (570,240)</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, 2022

	Business-Type Activities
	<u>Heart of America Correctional and Treatment Center</u>
OPERATING REVENUES	
Housing - Security	\$ 2,460,608
Laundry Services	28,952
Commission - Turnkey	<u>96,594</u>
Total Operating Revenues	<u>\$ 2,586,154</u>
OPERATING EXPENSES	
Payroll and Employee Benefits	\$ 2,852,455
Utilities	173,712
Medical (Prisoners)	67,869
Kitchen & Laundry	299,035
Professional Fees	4,000
Other Operating Expenses	143,549
Depreciation Expense	<u>65,586</u>
Total Operating Expenses	<u>\$ 3,606,206</u>
Operating Income (Loss)	<u>\$ (1,020,052)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	\$ 280
Miscellaneous Revenue	60,115
Interest and Service Charges	<u>(25)</u>
Total Non-Operating Revenues (Expenses)	<u>\$ 60,370</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	<u>\$ 200,000</u>
Total Other Financing Sources and Uses	<u>\$ 200,000</u>
Change in Net Position	<u>\$ (759,682)</u>
Total Net Position - January 1	<u>\$ 189,442</u>
Total Net Position - December 31	<u><u>\$ (570,240)</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, 2022

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 2,594,104
Cash Payments to Suppliers for Goods and Services	(673,940)
Cash Payments to Employees for Services	<u>(2,206,905)</u>
Net Cash Used by Operating Activities	<u>\$ (286,741)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Miscellaneous	\$ 59,677
Interest Received	280
Transfers In	<u>200,000</u>
Net Cash Provided by Non-capital and Related Financing Activities	<u>\$ 259,957</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	\$ (59,514)
Principal on Long-Term Debt	(436)
Interest Paid	<u>(53)</u>
Net Cash Used by Capital and Related Financing Activities	<u>\$ (60,003)</u>
Net Decrease in Cash and Cash Equivalents	<u>\$ (86,787)</u>
Cash and Cash Equivalents, January 1	<u>\$ 86,787</u>
Cash and Cash Equivalents, December 31	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	<u>\$ (1,020,052)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation Expense	\$ 65,586
Change in Assets and Liabilities	
Decrease in Accounts Receivable	7,950
Increase in Salaries Payable	22,741
Increase in Accounts Payable	14,225
Decrease in Compensated Absences	(17,375)
Increase in Net Pension & OPEB Liability	2,168,634
Increase in Deferred Outflows Derived from Pensions & OPEB	(934,048)
Decrease in Deferred Inflows Derived from Pensions & OPEB	<u>(594,402)</u>
Total Adjustments	<u>\$ 733,311</u>
Net Cash Used by Operating Activities	<u><u>\$ (286,741)</u></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, 2022

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 1,499,602
LIABILITIES & DEFERRED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 203,700
Total Liabilities	\$ 203,700
Deferred Inflows of Resources	
Taxes Received in Advance	\$ 1,159,100
Total Liabilities and Deferred Inflows of Resources	\$ 1,362,800
Restricted	
Funds Held for Individuals	\$ 122,209
Funds Held for Other Purposes	14,593
Total Net Position	\$ 136,802

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, 2022

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 5,637,319
Clerk of Court Collections	115,118
Commissary Collections	636,565
Grant Collections for Other Governments	596,044
Miscellaneous Collections	<u>98,792</u>
Total Additions	<u><u>\$ 7,083,838</u></u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 5,637,319
Clerk of Court Disbursements	108,341
Commissary Disbursements	514,356
Grant Disbursements to Other Governments	596,044
Miscellaneous Disbursements	<u>90,976</u>
Total Deductions	<u><u>\$ 6,947,036</u></u>
Net Increase (Decrease) in Fiduciary Net Position	<u><u>\$ 136,802</u></u>
Net Position - Beginning	<u><u>\$ -</u></u>
Net Position - Ending	<u><u>\$ 136,802</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, 2022

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 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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

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 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 fund:

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 and used to account for commissary activity on behalf of the HACTC 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.

PIERCE COUNTYNotes to the Financial Statements – Continued

Cash and Investments

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:

Assets	Years
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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

Pension

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and 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 3rd 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: PRIOR PERIOD ADJUSTMENT

Net position and Fund Balance as of January 1, 2022 has been restated due to reclassifying a fiduciary fund to the general fund and governmental activities of the County:

Primary Government	Governmental Activities	General Fund
Beginning Net Position/Fund Balance, as previously reported	\$ 6,788,533	\$ 1,283,128
Adjustments to restate the January 1, 2022 Net Position/Fund Balance		
Cash & Investments	6,107	6,107
Net Position/Fund Balance January 1, as restated	\$ 6,794,640	\$ 1,289,235

NOTE 3: 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, 2022, the County's carrying amount of deposits totaled \$7,103,969 and the bank balances totaled \$7,247,284. Of the bank balances, \$1,253,412 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, 2022, the Water Resource District's carrying amount of deposits totaled \$48,916, and the bank balances totaled \$50,440, all of which was covered by Federal Depository Insurance.

NOTE 4: 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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 5: TRANSFERS

The following transfers were made during 2022:

	Transfers In	Transfers Out
General Fund	\$ -	\$ (221,921)
Special Revenue Fund	493,921	(472,000)
Enterprise Fund	200,000	-
Total	\$ 693,921	\$ (693,921)

Transfers were primarily done to move excess funds from the Highway fund to the Road & Bridge fund. The County also transferred funds to the HACTC from the General Fund to cover expenses in 2022.

NOTE 6: CAPITAL ASSETS**Governmental Activities**

The following is a summary of changes in capital assets for the year ended December 31, 2022:

Governmental Activities	Balance January 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 11,500	\$ -	\$ -	\$ -	\$ 11,500
Construction in Progress	36,250	254,575	-	(72,500)	218,325
Total Capital Assets, Not Being Depreciated	\$ 47,750	\$ 254,575	\$ -	\$ (72,500)	\$ 229,825
Capital Assets Being Depreciated					
Buildings	\$ 1,288,953	\$ -	\$ -	\$ 72,500	\$ 1,361,453
Equipment	2,385,395	76,921	-	-	2,462,316
Infrastructure	5,512,869	-	-	-	5,512,869
Total Capital Assets, Being Depreciated	\$ 9,187,217	\$ 76,921	\$ -	\$ 72,500	\$ 9,336,638
Less Accumulated Depreciation					
Buildings	\$ 382,541	\$ 22,872	\$ -	\$ -	\$ 405,413
Equipment	1,340,443	365,842	-	-	1,706,285
Infrastructure	3,922,813	440,558	-	-	4,363,371
Total Accumulated Depreciation	\$ 5,645,797	\$ 829,272	\$ -	\$ -	\$ 6,475,069
Total Capital Assets Being Depreciated, Net	\$ 3,541,420	\$ (752,351)	\$ -	\$ 72,500	\$ 2,861,569
Governmental Activities Capital Assets, Net	\$ 3,589,170	\$ (497,776)	\$ -	\$ -	\$ 3,091,394

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

General Government	\$ 28,963
Public Safety	21,322
Highways and Bridges	774,130
Health and Welfare	3,509
Conservation of Natural Resources	1,348
Total Depreciation Expense - Governmental Activities	\$ 829,272

PIERCE COUNTY

Notes to the Financial Statements – Continued

Business-Type Activities

Business-Type Activities	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Buildings	\$ 2,181,925	\$ 7,655	\$ -	\$ -	\$ 2,189,580
Equipment	364,981	51,859	-	-	416,840
Infrastructure	79,531	-	-	-	79,531
Total Capital Assets, Being Depreciated	\$ 2,626,437	\$ 59,514	\$ -	\$ -	\$ 2,685,951
Less Accumulated Depreciation					
Buildings	\$ 573,190	\$ 48,623	\$ -	\$ -	\$ 621,813
Equipment	160,700	15,373	-	-	176,073
Infrastructure	18,557	1,590	-	-	20,147
Total Accumulated Depreciation	\$ 752,447	\$ 65,586	\$ -	\$ -	\$ 818,033
Total Capital Assets Being Depreciated, Net	\$ 1,873,990	\$ (6,072)	\$ -	\$ -	\$ 1,867,918
Business-Type Activities Capital Assets, Net	\$ 1,873,990	\$ (6,072)	\$ -	\$ -	\$ 1,867,918

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

NOTE 7: LONG-TERM LIABILITIES**Governmental Activities**

During the year ended December 31, 2022, the following changes occurred in governmental activities long-term liabilities:

Governmental Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Special Assessments	\$ 19,251	\$ -	\$ 6,417	\$ 12,834	\$ 6,417
Compensated Absences	69,810	54,318	61,729	62,399	12,480
Net Pension/OPEB Liability *	717,941	1,406,639	-	2,124,580	-
Total Governmental Activities	\$ 807,002	\$ 1,460,957	\$ 68,146	\$ 2,199,813	\$ 18,897

* - The change in Net Pension and OPEB liability is shown as a net change.

Compensated absences are paid out of the General Fund and Special Revenue Fund.

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

GOVERNMENTAL ACTIVITIES		
Year Ending Dec 31	Special Assessments	
	Principal	Interest
2023	\$ 6,417	\$ 513
2024	6,417	257
2025	-	-
2026	-	-
Total	\$ 12,834	\$ 770

PIERCE COUNTY

Notes to the Financial Statements – Continued

Business-Type Activities

Business-Type Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt Special Assessments	\$ 2,627	\$ -	\$ 875	\$ 1,752	\$ 876
Compensated Absences	93,041	88,256	105,631	75,666	15,133
Net Pension/OPEB Liability *	1,174,975	2,168,634	-	3,343,609	-
Total Business-Type Activities	\$ 1,270,643	\$ 2,256,890	\$ 106,506	\$ 3,421,027	\$ 16,009

* - The change in Net Pension and OPEB liability is shown as a net change.

Compensated absences are paid out of the Enterprise Fund.

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

BUSINESS-TYPE ACTIVITIES		
Year Ending Dec 31	Special Assessments	
	Principal	Interest
2023	\$ 876	\$ 70
2024	876	35
2025	-	-
2026	-	-
Total	\$ 1,752	\$ 105

NOTE 8: 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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

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 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, 2022, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	Net Pension Liability
County	\$ 5,250,851

PIERCE COUNTY

Notes to the Financial Statements – Continued

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2021 Measurement	Pension Expense
County	0.182317%	0.009858%	576,847

At December 31, 2022, the following deferred outflows of resources and deferred inflows of resources were reported related to net pension liabilities from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 27,390	\$ 100,300
Changes of Assumptions	3,140,086	1,946,680
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	192,180	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	138,242	297,410
Employer Contributions Subsequent to the Measurement Date	84,999	-
Total Deferred Outflows and Inflows of Resources	\$ 3,582,897	\$ 2,344,390

\$84,999 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, 2022.

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

2023	\$ 262,849
2024	363,560
2025	19,387
2026	507,712
2027	-

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	3.5% to 17.75% including inflation
Investment Rate of Return	5.10%, Net of Investment Expenses
Cost-of-Living Adjustments	None

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

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

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 5.10 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 (4.10 percent) or 1-percentage-point higher (6.12 percent) than the current rate:

	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
Proportionate Share of the Net Pension Liability	\$ 6,930,762	\$ 5,250,851	\$ 3,871,702

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 9: OPEB PLAN**General Information about the OPEB Plan*****North Dakota Public Employees Retirement System***

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

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

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

OPEB Benefits

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

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

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

At December 31, 2022, for its respective proportionate share of the net pension liability, the following net OPEB liabilities were reported:

	Net OPEB Liability
County	\$ 217,338

The net OPEB liability was measured as of June 30, 2022, 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 its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2021 Measurement	OPEB Expense
County	0.181068%	0.009583%	33,044

At December 31, 2022, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,152	\$ 1,869
Changes of Assumptions	54,745	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	29,264	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,525	12,970
Employer Contributions Subsequent to the Measurement Date	13,843	-
Total Deferred Outflows and Inflows of Resources	\$ 107,529	\$ 14,839

\$13,843 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, 2022.

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

2023	\$ 19,657
2024	18,076
2025	16,040
2026	25,074
2027	-
2028	-
Thereafter	-

PIERCE COUNTY

Notes to the Financial Statements – Continued

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	Not Applicable
Investment Rate of Return	5.75%, Net of Investment Expenses
Cost-of-Living Adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	35%	0.50%
International Equities	26%	6.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Proportionate Share of the Net OPEB Liability	\$ 277,418	\$ 217,338	\$ 166,901

NOTE 10: 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 (NDIRF), 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 NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF for automobile and general liability is limited to losses of \$4,000,000 per occurrence. Public Assets coverage is limited to \$2,223,163.

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 11: 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, 2021 is as follows:

	Lake Region District Health Unit
Assets	\$ 3,863,168
Liabilities	2,778,690
Net Position	\$ 1,084,478
Total Revenues	\$ 2,744,104
Total Expenses	1,116,523
Net Change in Position	\$ 1,627,581

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

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, 2022 is as follows:

	Heart of America Library
Cash and Investments	\$ 417,843
Total Revenues	\$ 205,148
Total Expenses	170,538
Net Change in Position	\$ 34,610

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.

Unaudited summary financial information for the year ended December 31, 2022 is as follows:

	Devils Lake Basin Joint WRD
Cash and Investments	\$ 220,714
Total Liabilities	2
Total Net Position	\$ 220,712
Total Revenues	\$ 146,722
Total Expenses	178,553
Net Change in Position	\$ (31,831)

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

NOTE 12 CONTINGENT LIABILITIES

The County is a defendant in various lawsuits incident to its operations. In the opinion of County Counsel and management, such claims against the County not covered by insurance would not materially affect the financial condition of the County.

PIERCE COUNTY

Budgetary Comparison Schedule – General Fund

For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,542,899	\$ 1,542,899	\$ 1,488,280	\$ (54,619)
Intergovernmental	599,544	599,544	777,043	177,499
Licenses, Permits and Fees	3,450	3,450	3,450	-
Charges for Services	40,200	40,200	83,634	43,434
Interest Income	65,000	65,000	25,193	(39,807)
Miscellaneous	69,270	69,270	115,927	46,657
Total Revenues	\$ 2,320,363	\$ 2,320,363	\$ 2,493,527	\$ 173,164
EXPENDITURES				
Current				
General Government	\$ 1,435,317	\$ 1,474,917	\$ 1,244,598	\$ 230,319
Public Safety	1,013,312	1,056,823	876,996	179,827
Health and Welfare	13,003	13,003	9,951	3,052
Culture and Recreation	22,000	42,000	36,198	5,802
Conserv. of Natural Resources	5,349	5,349	700	4,649
Other	253,553	254,091	78,490	175,601
Debt Service				
Principal	-	-	3,208	(3,208)
Interest and Fees	-	-	385	(385)
Total Expenditures	\$ 2,742,534	\$ 2,846,183	\$ 2,250,526	\$ 595,657
Excess (Deficiency) of Revenues Over Expenditures	\$ (422,171)	\$ (525,820)	\$ 243,001	\$ 768,821
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (100,000)	\$ (100,000)	\$ (221,921)	\$ (121,921)
Total Other Financing Sources (Uses)	\$ (100,000)	\$ (100,000)	\$ (221,921)	\$ (121,921)
Net Change in Fund Balances	\$ (522,171)	\$ (625,820)	\$ 21,080	\$ 646,900
Fund Balances - January 1	\$ 1,283,128	\$ 1,283,128	\$ 1,283,128	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ 6,107	\$ (6,107)
Fund Balances - December 31	\$ 760,957	\$ 657,308	\$ 1,310,315	\$ 653,007

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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 627,594	\$ 627,594	\$ 524,432	\$ (103,162)
Intergovernmental	633,787	633,787	1,944,979	1,311,192
Charges for Services	514,879	514,879	348,405	(166,474)
Interest Income	-	-	1,731	1,731
Miscellaneous	24,000	24,000	166,358	142,358
Total Revenues	\$ 1,800,260	\$ 1,800,260	\$ 2,985,905	\$ 1,185,645
EXPENDITURES				
Current				
General Government	\$ -	\$ -	\$ 203,808	\$ (203,808)
Public Safety	138,406	138,406	101,033	37,373
Highways and Bridges	2,192,014	2,255,624	1,695,660	559,964
Health and Welfare	9,320	9,484	9,025	459
Conserv. of Natural Resources	272,317	275,946	222,761	53,185
Emergencies	324,354	324,354	-	324,354
Total Expenditures	\$ 2,936,411	\$ 3,003,814	\$ 2,232,287	\$ 771,527
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,136,151)	\$ (1,203,554)	\$ 753,618	\$ 1,957,172
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 639,120	\$ 639,120	\$ 493,921	\$ (145,199)
Transfers Out	(639,120)	(639,120)	(472,000)	167,120
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 21,921	\$ 21,921
Net Change in Fund Balances	\$ (1,136,151)	\$ (1,203,554)	\$ 775,539	\$ 1,979,093
Fund Balances - January 1	\$ 2,780,165	\$ 2,780,165	\$ 2,780,165	\$ -
Fund Balances - December 31	\$ 1,644,014	\$ 1,576,611	\$ 3,555,704	\$ 1,979,093

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, 2022

**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
2022	0.182317%	\$ 5,250,851	\$ 2,116,397	248.10%	54.47%
2021	0.172459%	1,797,541	1,952,909	92.04%	78.26%
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
2022	\$ 159,401	\$ 152,158	\$ 7,243	\$ 2,200,684	6.91%
2021	144,019	165,608	(21,589)	2,081,894	7.95%
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%

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, 2022

**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
2022	0.181068%	\$ 217,338	\$ 1,869,356	11.63%	56.28%
2021	0.171485%	95,375	1,869,629	5.10%	76.63%
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
2022	\$ 22,752	\$ 22,120	632	\$ 2,200,684	1.01%
2021	22,483	25,253	(2,770)	2,081,894	1.21%
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%

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, 2022

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The County commission adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- 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
General Fund	\$ 2,742,534	\$ 103,649	\$ 2,846,183
Special Revenue Fund	2,936,411	67,403	3,003,814

NOTE 3 CHANGES OF BENEFIT TERMS

Pension

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

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, 2020.

PIERCE COUNTY

Notes to the Required Supplementary Information – Continued
For the Year Ended December 31, 2022

NOTE 4 CHANGES OF ASSUMPTIONS

Pension

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

OPEB

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

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*

Independent Auditor's Report

Board of County Commissioners
Pierce County
Rugby, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pierce County as of and for the years ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Pierce County's basic financial statements, and have issued our report thereon dated November 15, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2022-001 and 2022-002 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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Pierce County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Pierce County's response to the findings identified in our audit and described in the accompanying *schedule of audit findings*. Pierce County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
November 15, 2023

PIERCE COUNTY

Summary of Auditor's Results
For the Year Ended December 31, 2022

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? X Yes None Noted

Significant deficiencies identified not considered to be material weaknesses? Yes X None Noted

Noncompliance material to financial statements noted? Yes X None Noted

PIERCE COUNTY

Schedule of Audit Findings

For the Year Ended December 31, 2022

2022-001 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

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

2022-002 AUDIT ADJUSTMENT – WATER RESOURCE DISTRICT - MATERIAL WEAKNESS

Condition

During the audit of Pierce County Water Resource District, we proposed a material adjusting entry to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustment was approved by management and are reflected in the financial statements.

Effect

There is an increased risk of misstatement to Pierce County Water Resource District's financial statements.

Cause

Pierce County Water Resource District may not have had procedures in place to ensure the financial statements are complete and accurate.

Criteria

Pierce County Water Resource District is responsible for the presentation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

No.

Recommendation

We recommend Pierce County Water Resource District review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

Pierce County Water Resource District's Response

Agree. Management will review payable listing to ensure accuracy in the future.

STATE AUDITOR
Joshua C. Gallion



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GOVERNANCE COMMUNICATION

November 15, 2023

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, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 10, 2023. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

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

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 governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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.

2022 Adjustments

Primary Government

General Fund

To Record Intergovernmental Receivables

Intergovernmental Receivable

Intergovernmental Revenue

Audit Adjustments

Debit

Credit

50,000

-

-

50,000

Non-Major Fund

To Record Accounts Payable

Expenditures

Accounts Payable

41,228

-

-

41,228

Pierce County Water Resource District

General Fund

To Record Accounts Payable

Expenditures

Accounts Payable

4,300

-

-

4,300

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 November 15, 2023.

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 Pierce 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.

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.

Other Matters

We applied certain limited procedures to the *budgetary comparison information, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Pierce County board members 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
November 15, 2023



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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