



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, 2023

Client Code: PS: 35000



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Office of the
State Auditor

PIERCE COUNTY

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PIERCE COUNTY

County Officials
December 31, 2023

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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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pierce County
Rugby, North Dakota

Report on the Audit of 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, 2023, 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 accompanying 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, 2023, 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.

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 December 3, 2024 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
December 3, 2024

PIERCE COUNTY
Statement of Net Position
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water Resource District
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 6,583,557	\$ 100,068	\$ 6,683,625	\$ 87,064
Accounts Receivable	31,648	179,017	210,665	1,411
Intergovernmental Receivable	145,863	-	145,863	-
Taxes Receivable	32,779	-	32,779	1,198
Capital Assets, Net	3,916,376	1,819,159	5,735,535	-
Total Assets	\$ 10,710,223	\$ 2,098,244	\$ 12,808,467	\$ 89,673
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pensions & OPEB	\$ 884,073	\$ 1,333,299	\$ 2,217,372	\$ -
LIABILITIES				
Accounts Payable	\$ 10,739	\$ 36,507	\$ 47,246	\$ 23,100
Salaries and Retirement Payable	30,025	25,504	55,529	-
Grants Received in Advance	379,417	-	379,417	-
Interest Payable	214	29	243	-
Non-Current Liabilities				
Due Within One Year				
Long-Term Debt	6,418	876	7,294	-
Compensated Absences Payable	6,532	7,738	14,270	-
Due After One Year				
Compensated Absences Payable	58,789	69,646	128,435	-
Net Pension & OPEB Liability	1,358,960	2,038,533	3,397,493	-
Total Liabilities	\$ 1,851,094	\$ 2,178,833	\$ 4,029,927	\$ 23,100
DEFERRED INFLOWS OF RESOURCES				
Taxes Received in Advance	\$ 549,322	\$ -	\$ 549,322	\$ -
Derived from Pensions & OPEB	1,157,930	1,736,974	2,894,904	-
Total Deferred Inflows of Resources	\$ 1,707,252	\$ 1,736,974	\$ 3,444,226	\$ -
NET POSITION				
Net Investment in Capital Assets	\$ 3,916,376	\$ 1,819,159	\$ 5,735,535	\$ -
Restricted				
Highways	2,898,280	-	2,898,280	-
Health and Welfare	123	-	123	-
Conserv. of Natural Resources	158,399	-	158,399	66,573
Capital Projects	1,648	-	1,648	-
Emergencies	498,422	-	498,422	-
Unrestricted	562,702	(2,303,423)	(1,740,721)	-
Total Net Position	\$ 8,035,950	\$ (484,264)	\$ 7,551,686	\$ 66,573

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

PIERCE COUNTY
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Water Resource District
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Governmental Activities								
General Government	\$ 1,168,746	\$ 78,534	\$ 104,059	\$ 114,447	\$ (871,706)	\$ -	\$ (871,706)	\$ -
Public Safety	992,582	136,861	129,120	47,918	(678,683)	-	(678,683)	-
Highways	2,175,859	251,827	2,513,560	-	589,528	-	589,528	-
Health and Welfare	34,472	-	1,592	-	(32,880)	-	(32,880)	-
Culture and Recreation	14,009	-	-	-	(14,009)	-	(14,009)	-
Conserv. of Natural Resources	266,086	8,305	36,543	-	(221,238)	-	(221,238)	-
Other	72,002	-	-	-	(72,002)	-	(72,002)	-
Interest on Long-Term Debt	55	-	-	-	(55)	-	(55)	-
Total Governmental Activities	\$ 4,723,811	\$ 475,527	\$ 2,784,874	\$ 162,365	\$ (1,301,045)	\$ -	\$ (1,301,045)	\$ -
Business-Type Activities								
HACTC	\$ 2,811,778	\$ 2,353,210	\$ -	\$ -	\$ -	\$ (458,568)	\$ (458,568)	\$ -
Total Business-Type Activities	\$ 2,811,778	\$ 2,353,210	\$ -	\$ -	\$ -	\$ (458,568)	\$ (458,568)	\$ -
Total Primary Government	\$ 7,535,589	\$ 2,828,737	\$ 2,784,874	\$ 162,365	\$ (1,301,045)	\$ (458,568)	\$ (1,759,613)	\$ -
Component Unit								
Water Resource District	\$ 76,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (76,268)
General Revenues								
Taxes					\$ 2,243,614	\$ -	\$ 2,243,614	\$ 94,725
Unrestricted State Grants					714,295	-	714,295	-
Gain on sale of capital asset					308,250	-	308,250	-
City Debt Contribution					3,052	483	3,535	-
Unrestricted investment earnings					114,843	373	115,216	265
Miscellaneous revenue					106,714	93,688	200,402	-
Transfers - Net					(450,000)	450,000	-	-
Total General Revenues					\$ 3,040,768	\$ 544,544	\$ 3,585,312	\$ 94,990
Change in Net Position					\$ 1,739,723	\$ 85,976	\$ 1,825,699	\$ 18,722
Net Position - January 1					\$ 6,296,227	\$ (570,240)	\$ 5,725,987	\$ 47,851
Net Position - December 31					\$ 8,035,950	\$ (484,264)	\$ 7,551,686	\$ 66,573

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

PIERCE COUNTY

Balance Sheet – Governmental Funds

December 31, 2023

	General	Special Revenue Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,968,004	\$ 4,613,905	\$ 1,648	\$ 6,583,557
Accounts Receivable	11,395	20,253	-	31,648
Intergovernmental Receivable	54,437	91,426	-	145,863
Road Receivables				-
Taxes Receivable	27,279	5,500	-	32,779
Due from Other Funds				-
Total Assets	\$ 2,061,115	\$ 4,731,084	\$ 1,648	\$ 6,793,847
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 6,809	\$ 3,930	\$ -	\$ 10,739
Salaries and Retirement Payable	14,764	15,261	-	30,025
Grants Received in Advance	-	379,417	-	379,417
Total Liabilities	\$ 21,573	\$ 398,608	\$ -	\$ 420,181
Deferred Inflows of Resources				
Taxes Received in Advance	\$ 387,405	\$ 161,917	\$ -	\$ 549,322
Taxes Receivable	27,279	5,500	-	32,779
Total Deferred Inflows of Resources	\$ 414,684	\$ 167,417	\$ -	\$ 582,101
Total Liabilities and Deferred Inflows of Resources	\$ 436,257	\$ 566,025	\$ -	\$ 1,002,282
Fund Balance				
Restricted				
Public Safety	\$ -	\$ 157,387	\$ -	\$ 157,387
Highways and Bridges	-	3,360,515	-	3,360,515
Conserv. of Natural Resources	-	155,926	-	155,926
Emergencies	-	498,116	-	498,116
Capital Projects	-	-	1,648	1,648
General Government	-	3,240	-	3,240
Unassigned	1,624,858	(10,125)	-	1,614,733
Total Fund Balances	\$ 1,624,858	\$ 4,165,059	\$ 1,648	\$ 5,791,565
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,061,115	\$ 4,731,084	\$ 1,648	\$ 6,793,847

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

PIERCE COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2023

Total Fund Balances for Governmental Funds \$ 5,791,565

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. 3,916,376

Property tax receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenues in the funds. 32,779

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	\$ 884,073	
Deferred Inflows Related to Pensions and OPEB	<u>(1,157,930)</u>	(273,857)

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	\$ (6,417)	
Interest Payable	(214)	
Compensated Absences Payable	(65,322)	
Net Pension and OPEB Liability	<u>(1,358,960)</u>	<u>(1,430,913)</u>

Total Net Position of Governmental Activities \$ 8,035,950

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, 2023

	General	Special Revenue Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,758,719	\$ 499,511	\$ -	\$ 2,258,230
Intergovernmental	827,754	2,833,780	-	3,661,534
Licenses, Permits and Fees	3,450	-	-	3,450
Charges for Services	86,000	386,077	-	472,077
Interest Income	98,660	16,183	-	114,843
Miscellaneous	71,179	35,534	-	106,713
Total Revenues	\$ 2,845,762	\$ 3,771,085	\$ -	\$ 6,616,847
EXPENDITURES				
Current				
General Government	\$ 1,068,267	\$ -	\$ -	\$ 1,068,267
Public Safety	865,565	101,795	-	967,360
Highways and Bridges	-	2,605,950	-	2,605,950
Health and Welfare	22,235	8,728	-	30,963
Culture and Recreation	14,009	-	-	14,009
Conserv. of Natural Resources	1,334	263,375	-	264,709
Emergencies	-	-	-	-
Other	72,002	-	-	72,002
Capital Outlay	-	264,724	7,761	272,485
Debt Service				
Principal	1,134	2,230	-	3,364
Interest and Fees	91	178	-	269
Total Expenditures	\$ 2,044,637	\$ 3,246,980	\$ 7,761	\$ 5,299,378
Excess (Deficiency) of Revenues Over Expenditures	\$ 801,125	\$ 524,105	\$ (7,761)	\$ 1,317,469
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 439,350	\$ 32,582	\$ 471,932
Sale of Capital Assets	-	81,250	-	81,250
Transfers Out	(486,582)	(435,350)	-	(921,932)
Total Other Financing Sources and Uses	\$ (486,582)	\$ 85,250	\$ 32,582	\$ (368,750)
Net Change in Fund Balances	\$ 314,543	\$ 609,355	\$ 24,821	\$ 948,719
Fund Balances - January 1	\$ 1,310,315	\$ 3,555,704	\$ (23,173)	\$ 4,842,846
Fund Balances - December 31	<u>\$ 1,624,858</u>	<u>\$ 4,165,059</u>	<u>\$ 1,648</u>	<u>\$ 5,791,565</u>

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, 2023

Net Change in *Fund Balances* - Total Governmental Funds **\$ 948,719**

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	\$ 1,389,769	
Capital Contributions	-	
Current Year Depreciation Expense	<u>(791,787)</u>	597,982

In the statement of activities, only the gain(loss) on the sale of assets and the donation of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold and donated.

Proceeds from Sale of Asset	\$ (81,250)	
Gain on Sale of Capital Asset	<u>308,250</u>	227,000

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		6,416
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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.

Increase in Compensated Absences	\$ (2,923)	
Decrease in Interest Payable	<u>215</u>	(2,708)

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.

Decrease in Net Pension & OPEB Liability	\$ 765,620	
Decrease in Deferred Outflows of Resources Related to Pensions & OPEB	(547,402)	
Increase in Deferred Inflows of Resources Related to Pensions & OPEB	<u>(241,288)</u>	(23,070)

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>(14,616)</u>
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Change in Net Position of Governmental Activities **\$ 1,739,723**

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

PIERCE COUNTY

Statement of Net Position - Proprietary Funds

December 31, 2023

	<u>Business-Type Activities</u>
	<u>Heart of America Correctional and Treatment Center</u>
ASSETS	
Current Assets	
Cash	\$ 100,068
Accounts Receivable	179,017
	<hr/>
Noncurrent Assets	
Capital Assets, Net	\$ 1,819,159
	<hr/>
Total Assets	\$ 2,098,244
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions & OPEB	\$ 1,333,299
	<hr/>
Total Assets and Deferred Outflows of Resources	\$ 3,431,543
	<hr/>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 36,507
Salaries and Retirement Payable	25,504
Interest Payable	29
Long-Term Debt	876
Compensated Absences	7,738
Total Current Liabilities	\$ 70,654
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Noncurrent Liabilities	
Compensated Absences	\$ 69,646
Net Pension & OPEB Liability	2,038,533
Total Noncurrent Liabilities	\$ 2,108,179
	<hr/>
Total Liabilities	\$ 2,178,833
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions & OPEB	\$ 1,736,974
	<hr/>
Total Liabilities and Deferred Inflows of Resources	\$ 3,915,807
	<hr/>
NET POSITION	
Net Investment in Capital Assets	\$ 1,819,159
Unrestricted	(2,303,423)
	<hr/>
Total Net Position	\$ (484,264)
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The notes to the financial statements are an integral part of this statement.

PIERCE COUNTYStatement of Revenues, Expenses and changes In Fund Net Position - Proprietary Funds
For the Year Ended December 31, 2023

	<u>Business-Type Activities</u>
	<u>Heart of America Correctional and Treatment Center</u>
OPERATING REVENUES	
Housing - Security	\$ 2,240,611
Laundry Services	30,546
Commission - Turnkey	<u>82,052</u>
Total Operating Revenues	<u>\$ 2,353,209</u>
OPERATING EXPENSES	
Payroll and Employee Benefits	\$ 2,008,859
Utilities	152,685
Medical (Prisoners)	84,740
Kitchen & Laundry	324,748
Other Operating Expenses	167,872
Depreciation Expense	<u>72,840</u>
Total Operating Expenses	<u>\$ 2,811,744</u>
Operating Income (Loss)	<u>\$ (458,535)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	\$ 373
Miscellaneous Revenue	94,172
Interest and Service Charges	<u>(34)</u>
Total Non-Operating Revenues (Expenses)	<u>\$ 94,511</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	<u>\$ 450,000</u>
Total Other Financing Sources and Uses	<u>\$ 450,000</u>
Change in Net Position	<u>\$ 85,976</u>
Total Net Position - January 1	<u>\$ (570,240)</u>
Total Net Position - December 31	<u><u>\$ (484,264)</u></u>

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

PIERCE COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds
For the Year Ended December 31, 2023

	Custodial Funds
ASSETS	
Cash and cash equivalents	<u>\$ 1,789,604</u>
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	<u>\$ 313,947</u>
Total Liabilities	<u>\$ 313,947</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 1,313,994</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,627,941</u>
Restricted	
Funds Held for Individuals	\$ 126,909
Funds Held for Other Purposes	<u>34,755</u>
Total Net Position	<u>\$ 161,663</u>

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

PIERCE COUNTY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2023

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 6,721,898
Clerk of Court Collections	144,324
Commissary Collections	480,366
Grant Collections for Other Governments	168,290
Miscellaneous Collections	<u>146,507</u>
Total Additions	<u>\$ 7,661,385</u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 6,721,898
Clerk of Court Disbursements	124,296
Commissary Disbursements	475,665
Grant Disbursements to Other Governments	168,290
Miscellaneous Disbursements	<u>146,375</u>
Total Deductions	<u>\$ 7,636,524</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ 24,861</u>
Net Position - Beginning	<u>\$ 136,802</u>
Net Position - Ending	<u>\$ 161,663</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, 2023

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 as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government'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 are 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 criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the 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 Units: The component unit columns in the government wide financial statements include the financial data of the County's one component unit. This component 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, the County, and its component units. 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 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

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 and Fiduciary Fund Financial Statements. The government-wide 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of 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 are both restricted and unrestricted net assets available to finance the program. It is the County’s policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

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.

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.

PIERCE COUNTY

Notes to the Financial Statements – Continued

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 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, 2023, the County’s carrying amount of deposits totaled \$8,253,328 and the bank balances totaled \$8,408,674. Of the bank balances, \$1,253,638 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, 2023, the Water Resource District’s carrying amount of deposits totaled \$87,064, and the bank balances totaled \$97,907. Of the bank balances, \$97,907. 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.

NOTE 3 PROPERTY TAXES

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

NOTE 4 TRANSFERS

The following transfers were made during 2023:

	Transfers In	Transfers Out
General Fund	\$ -	\$ (486,582)
Special Revenue Fund	439,350	(435,350)
Nonmajor Funds	32,582	-
Enterprise Fund	450,000	-
Total	\$ 921,932	\$ (921,932)

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 2023.

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 5 CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the year ended December 31, 2023.

Governmental Activities	Balance January 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 11,500	\$ -	\$ -	\$ -	\$ 11,500
Construction in Progress	218,326	114,447	-	-	332,773
Total Capital Assets, Not Being Depreciated	\$ 229,826	\$ 114,447	\$ -	\$ -	\$ 344,273
Capital Assets Being Depreciated					
Buildings	\$ 1,361,453	\$ -	\$ -	\$ -	\$ 1,361,453
Equipment	2,462,315	478,418	614,973	-	2,325,760
Infrastructure	5,512,869	1,023,905	-	-	6,536,774
Total Capital Assets, Being Depreciated	\$ 9,336,637	\$ 1,502,323	\$ 614,973	\$ -	\$ 10,223,987
Less Accumulated Depreciation					
Buildings	\$ 405,414	\$ 21,889	\$ -	\$ -	\$ 427,303
Equipment	1,706,285	363,548	614,973	-	1,454,860
Infrastructure	4,363,370	406,351	-	-	4,769,721
Total Accumulated Depreciation	\$ 6,475,069	\$ 791,788	\$ 614,973	\$ -	\$ 6,651,884
Total Capital Assets Being Depreciated, Net	\$ 2,861,568	\$ 710,535	\$ -	\$ -	\$ 3,572,103
Governmental Activities Capital Assets, Net	\$ 3,091,394	\$ 824,982	\$ -	\$ -	\$ 3,916,376

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

General Government	\$ 29,554
Public Safety	19,270
Highways and Bridges	738,106
Health and Welfare	3,509
Conservation of Natural Resources	1,348
Total Depreciation Expense - Governmental Activities	\$ 791,787

Business-Type Activities

Business-Type Activities	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Buildings	\$ 2,189,580	\$ -	\$ -	\$ -	\$ 2,189,580
Equipment	416,841	24,082	-	-	440,923
Infrastructure	79,531	-	-	-	79,531
Total Capital Assets, Being Depreciated	\$ 2,685,952	\$ 24,082	\$ -	\$ -	\$ 2,710,034
Less Accumulated Depreciation					
Buildings	\$ 621,814	\$ 48,623	\$ -	\$ -	\$ 670,437
Equipment	176,073	22,627	-	-	198,700
Infrastructure	20,148	1,591	-	-	21,739
Total Accumulated Depreciation	\$ 818,035	\$ 72,841	\$ -	\$ -	\$ 890,876
Total Capital Assets Being Depreciated, Net	\$ 1,867,917	\$ (48,759)	\$ -	\$ -	\$ 1,819,158
Business-Type Activities Capital Assets, Net	\$ 1,867,917	\$ (48,759)	\$ -	\$ -	\$ 1,819,158

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

NOTE 6 LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2023, 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	\$ 12,834	\$ -	\$ 6,417	\$ 6,417	\$ 6,417
Compensated Absences	\$ 62,396	\$ 59,796	\$ 56,871	\$ 65,321	\$ 6,532
Net Pension/OPEB Liability *	2,124,580	-	765,620	1,358,960	-
Total Governmental Activities	\$ 2,199,810	\$ 59,796	\$ 828,908	\$ 1,430,698	\$ 12,949

* - The change in Net Pension & OPEB Liability is shown as a net change.

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

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

Business-Type Activities

Business-Type Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Special Assessments	\$ 1,752	\$ -	\$ 876	\$ 876	\$ 876
Compensated Absences	\$ 75,666	\$ 85,719	\$ 84,001	\$ 77,384	\$ 7,738
Net Pension/OPEB Liability *	3,343,609	-	1,305,076	2,038,533	-
Total Business-Type Activities	\$ 3,421,027	\$ 85,719	\$ 1,389,953	\$ 2,116,793	\$ 8,614

* - 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
2024	876	35
2025	-	-
2026	-	-
Total	\$ 876	\$ 35

NOTE 7 PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

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, 2023, the following net pension liabilities were reported:

	Net Pension Liability
County	\$ 3,230,208

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. The entities had the following proportions and change in proportions at June 30, 2023 and reported the following pension expense for the year ended December 31, 2023:

	Proportion	Increase (Decrease) in Proportion from June 30, 2022 Measurement	Pension Expense
County	0.167520%	-0.014797%	87,123

At December 31, 2023, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 105,152	\$ 17,814
Changes of Assumptions	1,781,175	2,451,810
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	84,755	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	99,607	394,071
Employer Contributions Subsequent to the Measurement Date	79,709	-
Total Deferred Outflows and Inflows of Resources	\$ 2,150,398	\$ 2,863,695

PIERCE COUNTY

Notes to the Financial Statements – Continued

\$79,709 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, 2023.

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

2024	\$ (134,714)
2025	(445,152)
2026	5,447
2027	(218,587)
2028	-

Actuarial Assumptions

The total pension liability in the July 1, 2023 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	6.50%, Net of Investment Expenses
Cost-of-Living Adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.33%
Cash Equivalents	0%	0.00%

Discount Rate

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

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

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

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Proportionate Share of the Net Pension Liability	\$ 4,453,681	\$ 3,230,208	\$ 2,215,243

Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At December 31, 2023, the following net OPEB liabilities were reported:

	Net OPEB Liability
County	\$ 167,285

The net OPEB liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. The entities had the following proportions and change in proportions at June 30, 2023 and reported the following OPEB expense for the year ended December 31, 2023:

	Proportion	Increase (Decrease) in Proportion from June 30, 2022 Measurement	OPEB Expense
County	0.167327%	-0.013741%	27,157

At December 31, 2023, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,146	\$ 1,914
Changes of Assumptions	35,678	13,853
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	12,083	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,305	15,442
Employer Contributions Subsequent to the Measurement Date	12,762	-
Total Deferred Outflows and Inflows of Resources	\$ 66,974	\$ 31,209

PIERCE COUNTY

Notes to the Financial Statements – Continued

\$12,762 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, 2023.

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

2024	\$ 7,866
2025	6,039
2026	14,609
2027	(5,511)
2028	-
2029	-
Thereafter	-

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 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 or 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%	6.10%
Small Cap Domestic Equities	6%	7.10%
Domestic Fixed Income	35%	2.59%
International Equities	26%	6.50%

Discount Rate

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

PIERCE COUNTY

Notes to the Financial Statements – Continued

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

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

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
Proportionate Share of the Net OPEB Liability	\$ 219,854	\$ 167,285	\$ 123,029

NOTE 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF for automobile and general liability is limited to losses of \$4,000,000 per occurrence. Public Assets coverage is limited to \$2,283,663.

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

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

NOTE 10 JOINT VENTURES

Lake Region District Health Unit

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

Audited summary financial information for the year ended December 31, 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, 2023, is as follows:

	Heart of America Library
Cash and Investments	\$ 424,210
Total Revenues	\$ 197,451
Total Expenses	191,311
Net Change in Position	\$ 6,140

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, 2023, is as follows:

	Devils Lake Basin Joint WRD
Cash and Investments	\$ 200,477
Total Liabilities	2
Total Net Position	\$ 200,475
Total Revenues	\$ 148,810
Total Expenses	169,047
Net Change in Position	\$ (20,237)

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 11 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

December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,819,131	\$ 1,819,131	\$ 1,758,719	\$ (60,412)
Intergovernmental	643,770	643,770	827,754	183,984
Licenses, Permits and Fees	3,450	3,450	3,450	-
Charges for Services	40,200	40,200	86,000	45,800
Interest Income	50,000	50,000	98,660	48,660
Miscellaneous	64,270	64,270	71,179	6,909
Total Revenues	\$ 2,620,821	\$ 2,620,821	\$ 2,845,762	\$ 224,941
EXPENDITURES				
Current				
General Government	\$ 1,366,716	\$ 1,366,716	\$ 1,068,267	\$ 298,449
Public Safety	1,041,771	1,041,771	865,565	176,206
Health and Welfare	35,854	35,854	22,235	13,619
Culture and Recreation	22,000	22,000	14,009	7,991
Conserv. of Natural Resources	5,349	5,349	1,334	4,015
Other	232,091	232,091	72,002	160,089
Debt Service				
Principal	-	-	1,134	(1,134)
Interest and Fees	-	-	91	(91)
Total Expenditures	\$ 2,703,781	\$ 2,703,781	\$ 2,044,637	\$ 659,144
Excess (Deficiency) of Revenues Over Expenditures	\$ (82,960)	\$ (82,960)	\$ 801,125	\$ 884,085
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (556,408)	\$ (556,408)	\$ (486,582)	\$ 69,826
Total Other Financing Sources (Uses)	\$ (556,408)	\$ (556,408)	\$ (486,582)	\$ 69,826
Net Change in Fund Balances	\$ (639,368)	\$ (639,368)	\$ 314,543	\$ 953,911
Fund Balances - January 1	\$ 1,310,315	\$ 1,310,315	\$ 1,310,315	\$ -
Fund Balances - December 31	\$ 670,947	\$ 670,947	\$ 1,624,858	\$ 953,911

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

PIERCE COUNTY

Budgetary Comparison Schedule - Special Revenue Fund
 December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 519,265	\$ 519,265	\$ 499,511	\$ (19,754)
Intergovernmental	751,044	751,044	2,833,780	2,082,736
Charges for Services	338,087	338,087	386,077	47,990
Interest Income	-	-	16,183	16,183
Miscellaneous	207,800	207,800	35,534	(172,266)
Total Revenues	\$ 1,816,196	\$ 1,816,196	\$ 3,771,085	\$ 1,954,889
EXPENDITURES				
Current				
General Government	\$ -	\$ -	\$ -	\$ -
Public Safety	124,400	127,692	101,795	25,897
Highways and Bridges	1,347,716	2,610,546	2,605,950	4,596
Health and Welfare	9,957	9,957	8,728	1,229
Conserv. of Natural Resources	290,488	290,488	263,375	27,113
Capital Outlay	176,443	347,895	264,724	83,171
Debt Service				
Principal	-	-	2,230	(2,230)
Interest and Fees	-	-	178	(178)
Total Expenditures	\$ 1,949,004	\$ 3,386,578	\$ 3,246,980	\$ 139,598
Excess (Deficiency) of Revenues Over Expenditures	\$ (132,808)	\$ (1,570,382)	\$ 524,105	\$ 2,094,487
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 635,350	\$ 635,350	\$ 439,350	\$ (196,000)
Transfers Out	(635,350)	(635,350)	(435,350)	200,000
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 85,250	\$ 85,250
Net Change in Fund Balances	\$ (132,808)	\$ (1,570,382)	\$ 609,355	\$ 2,179,737
Fund Balances - January 1	\$ 3,555,704	\$ 3,555,704	\$ 3,555,704	\$ -
Fund Balances - December 31	\$ 3,422,896	\$ 1,985,322	\$ 4,165,059	\$ 2,179,737

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

PIERCE COUNTY

Schedule of Employer's Share of Net Pension and Employer Contributions
 For the Year Ended December 31, 2023

**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
2023	0.167520%	\$ 3,230,208	\$ 2,048,550	157.68%	65.31%
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%

	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
2023	\$ 159,709	159,708	0	\$ 2,175,930	7.34%
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 notes to the required supplementary information are an integral part of this statement.

PIERCE COUNTY

Schedule of Employer’s Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2023

**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
2023	0.167327%	\$ 167,285	\$ 1,681,942	9.95%	62.74%
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%

	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
2023	\$ 20,023	20,023	(0)	\$ 1,756,427	1.14%
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 notes to the required supplementary information are an integral part of this statement.

PIERCE COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2023

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: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

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

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Pension

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2023. All other actuarial assumptions used in the actuarial valuation as of July 1, 2023, 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, 2023. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

NOTE 5: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of County commissioners amended the County budget for 2023:

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Budget Amendment	Amended Budget
Special Revenue Fund	2,584,354	1,437,574	4,021,928

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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, 2023, and the related notes to the financial statements, which collectively comprise Pierce County's basic financial statements, and have issued our report thereon dated December 3, 2024.

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. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2023-001 and 2023-002 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
December 3, 2024

Financial Statements

Type of Report Issued:

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

Internal control over financial reporting

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

PIERCE COUNTY

Schedule of Audit Findings

For the Year Ended December 31, 2023

2023-001 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.

2023-002 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

Yes.

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.



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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