



Steele County

Finley, North Dakota

Audit Report

For the Year Ended December 31, 2018

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

STEELE COUNTY

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STEELE COUNTY

County Officials and Audit Personnel
December 31, 2018

COUNTY OFFICIALS

Chairman	Brian Tuite
Commissioner	Russell Walcker
Commissioner	Randy Richards
Commissioner	Ted Johnson
Commissioner	Richard Strand
County Auditor	Emily Wigen
County Treasurer	Kari Crawford
Tax Director	Ben Gates
Sheriff	Wayne Beckman
State's Attorney	Charles Stock

AUDIT PERSONNEL

Audit Manager	Craig Hashbarger, CPA, CIA, CFE
Audit In-Charge	Alex Bakken, CPA



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Steele County
Finley, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Steele County's basic financial statements as listed in the table of contents.

Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County, North Dakota, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

STEELE COUNTY

Independent Auditor's Report – Continued

Other Matters

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, and schedule of employer's share of net OPEB liability and employer contributions*, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Steele County's basic financial statements. The *schedule of fund activity - cash transactions* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *schedule of fund activity - cash transactions* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity - cash transactions* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2019 on our consideration of Steele County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Steele County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
July 10, 2019

STEELE COUNTY
Statement of Net Position
December 31, 2018

	Primary	Component Units	
	Government	Water	Job
	Governmental	Resource	Development
	Activities	District	Authority
ASSETS			
Cash, cash equivalents, and investments	\$ 6,479,696	\$ 570,061	\$ 260,922
Intergovernmental receivable	182,937	-	-
Miscellaneous refund receivable	434,978	-	-
Taxes receivable	40,992	1,745	1,454
Intangible assets	-	105,700	-
Capital assets, net	\$ 14,120,243	\$ 1,890,631	\$ -
Total Assets	\$ 21,258,846	\$ 2,568,137	\$ 262,376
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 736,694	\$ 27,180	\$ 30,709
LIABILITIES			
Accounts payable	\$ 60,460	\$ 14,192	\$ -
Salaries and benefits payable	12,418	56	-
Due to other governments	28,328	-	-
Grants received in advance	2,055	-	-
Retainage payable	453,213	-	-
Interest payable	95,244	21,899	-
Long-Term Liabilities			
Due within one year			
Long-term debt	329,800	138,413	-
Compensated absences	2,522	54	91
Due After One Year			
Long-term debt	6,795,657	706,625	-
Compensated absences	22,699	487	816
Net pension and OPEB liability	1,659,320	61,219	69,232
Total Liabilities	\$ 9,461,716	\$ 942,945	\$ 70,139
DEFERRED INFLOWS OF RESOURCES			
Derived from pension and OPEB	\$ 91,591	\$ 3,379	\$ 3,821
Taxes received in advance	632,289	-	-
Total Deferred Inflows of Resources	\$ 723,880	\$ 3,379	\$ 3,821
NET POSITION			
Net investment in capital assets	\$ 6,541,573	\$ 1,045,593	\$ -
Restricted			
Highways and bridges	1,745,972	-	-
Capital Projects	1,388,608	-	-
Conservation of natural resources	157,912	603,400	-
Emergencies	315,350	-	-
General government	370,250	-	-
Economic development	-	-	219,125
Unrestricted	1,290,279	-	-
Total Net Position	\$ 11,809,944	\$ 1,648,993	\$ 219,125

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

STEELE COUNTY

Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Job Development Authority
Primary Government							
General government	\$ 1,745,242	\$ 213,874	\$ -	\$ -	\$ (1,531,368)		
Public safety	412,891	76,310	67,416	-	(269,165)		
Highways and bridges	864,423	172,244	321,017	77,498	(293,664)		
Health and welfare	467,964	89,452	308,788	-	(69,724)		
Conserv. of natural resources	184,062	-	-	-	(184,062)		
Culture and recreation	79,590	3,945	-	-	(75,645)		
Emergency	82,289	-	-	-	(82,289)		
Interest & Fees	280,215	-	-	-	(280,215)		
Total Governmental Activities	\$ 4,116,676	\$ 555,825	\$ 697,221	\$ 77,498	\$ (2,786,132)		
Component Units							
Water Resource District	\$ 305,759	\$ -	\$ 9,585	\$ -	\$ (296,174)	\$ -	
Job Development Authority	159,657	-	-	-	-	(159,657)	
Total Component Units	\$ 465,416	\$ -	\$ 9,585	\$ -	\$ (296,174)	\$ (159,657)	
General Revenues							
Taxes							
Property taxes; levied for general purposes					\$ 579,188	\$ 334,038	\$ 74,775
Property taxes; levied for special purposes					855,664	-	-
Property taxes; levied for debt service					548,384	-	-
Sales taxes					182,245	-	-
Unrestricted grants and contributions					300,446	4,536	-
Unrestricted investment earnings					26,294	744	928
Miscellaneous revenue					131,942	21,403	44,659
Unrealized gain (loss) on investments					-	-	(682)
Total General Revenues					\$ 2,624,163	\$ 360,721	\$ 119,680
Change in Net Position					\$ (161,969)	\$ 64,547	\$ (39,977)
Net Position - January 1					\$ 11,971,913	\$ 1,584,446	\$ 259,102
Net Position - December 31					\$ 11,809,944	\$ 1,648,993	\$ 219,125

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

STEELE COUNTY

Balance Sheet – Governmental Funds
December 31, 2018

	Major Funds				Total Governmental Funds
	General	Special Revenue	Debt Service	Capital Project	
ASSETS					
Cash, cash equivalents, and investments	\$ 1,658,541	\$ 3,719,165	\$ 919,393	\$ 182,597	\$ 6,479,696
Intergovernmental receivable	133,674	49,263	-	-	182,937
Refund receivable	-	-	434,978	-	434,978
Due from other funds	630	-	-	-	630
Taxes receivable	13,318	19,126	8,548	-	40,992
Total Assets and Deferred Outflows of Resources	\$ 1,806,163	\$ 3,787,554	\$ 1,362,919	\$ 182,597	\$ 7,139,233
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 29,570	\$ 30,890	\$ -	\$ -	\$ 60,460
Salaries payable	-	12,418	-	-	12,418
Due to other funds	-	630	-	-	630
Due to other governments	28,328	-	-	-	28,328
Grants received in advance	-	2,055	-	-	2,055
Total Liabilities	\$ 57,898	\$ 45,993	\$ -	\$ -	\$ 103,891
Deferred Inflows of Resources					
Taxes received in advance	\$ 222,287	\$ 248,017	\$ 161,985	\$ -	\$ 632,289
Taxes receivable	13,318	19,126	8,548	-	40,992
Total Deferred Inflows of Resources	\$ 235,605	\$ 267,143	\$ 170,533	\$ -	\$ 673,281
Total Liabilities and Deferred Inflows of Resources	\$ 293,503	\$ 313,136	\$ 170,533	\$ -	\$ 777,172
Fund Balances					
Restricted					
Public safety	\$ -	\$ 104,946	\$ -	\$ -	\$ 104,946
Highways and bridges	-	2,016,139	-	-	2,016,139
Health and welfare	-	118,776	-	-	118,776
Capital projects	-	-	1,206,011	182,597	1,388,608
Conservation of natural resources	-	168,184	-	-	168,184
Emergencies	-	315,350	-	-	315,350
General government	-	751,653	-	-	751,653
Unassigned	1,512,660	(630)	(13,625)	-	1,498,405
Total Fund Balances	\$ 1,512,660	\$ 3,474,418	\$ 1,192,386	\$ 182,597	\$ 6,362,061
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,806,163	\$ 3,787,554	\$ 1,362,919	\$ 182,597	\$ 7,139,233

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

STEELE COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2018

Total Fund Balances of Governmental Funds		\$ 6,362,061
Total <i>net position</i> reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		14,120,243
Property taxes receivable 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.		40,992
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental		
Deferred outflows related to pensions and OPEB	\$ 736,694	
Deferred inflows related to pensions and OPEB	<u>(91,591)</u>	645,103
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	\$ (7,125,457)	
Retainage payable	(453,213)	
Interest payable	(95,244)	
Compensated absences payable	(25,221)	
Net pension and OPEB liability	<u>(1,659,320)</u>	<u>(9,358,455)</u>
Total Net Position of Governmental Activities		<u>\$ 11,809,944</u>

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

STEELE COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended December 31, 2018

	Major Funds				Total Governmental Funds
	General	Special Revenue	Debt Service	Capital Project	
REVENUES					
Property tax	\$ 583,536	\$ 859,924	\$ 544,541	\$ -	\$ 1,988,001
Sales tax	-	182,245	-	-	182,245
Intergovernmental	319,674	675,719	2,275	-	997,668
Charges for services	347,583	210,237	-	-	557,820
Interest income	26,294	-	-	-	26,294
Miscellaneous	124,142	7,800	-	-	131,942
Total Revenues	\$ 1,401,229	\$ 1,935,925	\$ 546,816	\$ -	\$ 3,883,970
EXPENDITURES					
Current					
General government	\$ 1,286,090	\$ 359,226	\$ -	\$ -	\$ 1,645,316
Public safety	305,554	41,285	-	-	346,839
Highways and bridges	-	1,202,978	-	-	1,202,978
Flood repairs	-	-	-	-	-
Health and welfare	105,836	320,756	-	-	426,592
Culture and recreation	172,108	-	-	-	172,108
Conservation of natural resources	-	77,233	-	-	77,233
Emergency	-	82,289	-	-	82,289
Capital Outlay	-	-	1,955,714	-	1,955,714
Debt Service					
Principal	2,542	-	320,000	-	322,542
Interest	-	-	272,228	-	272,228
Fees	-	-	2,305	-	2,305
Total Expenditures	\$ 1,872,130	\$ 2,083,767	\$ 2,550,247	\$ -	\$ 6,506,144
Excess (Deficiency) of Revenues Over Expenditures	\$ (470,901)	\$ (147,842)	\$ (2,003,431)	\$ -	\$ (2,622,174)
Fund Balances - January 1	\$ 1,983,561	\$ 3,622,260	\$ 3,195,817	\$ 182,597	\$ 8,984,235
Fund Balances - December 31	\$ 1,512,660	\$ 3,474,418	\$ 1,192,386	\$ 182,597	\$ 6,362,061

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

STEELE COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds **\$ (2,622,174)**

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.

Capital outlay	\$ 2,732,978	
Depreciation expense	<u>(312,323)</u>	2,420,655

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of a lease isn't an inflow of resources, but does increase liabilities.

Bond premium amortization	\$ 2,259	
Repayment of debt	<u>322,541</u>	324,800

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in

Net change in retainage payable	\$ (42,852)	
Net change in interest payable	(7,941)	
Net change in compensated absences	<u>(3,881)</u>	(54,674)

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.

Net change in taxes receivable	\$ (4,765)	
Net change in road accounts receivable	<u>(1,995)</u>	(6,760)

The Net Pension Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net change in net pension & OPEB liability	\$ (184,071)	
Net change in deferred outflows of resources	3,772	
Net change in deferred inflows of resources	<u>(43,517)</u>	<u>(223,816)</u>

Change in Net Position of Governmental Activities **\$ (161,969)**

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

STEELE COUNTY

Statement of Fiduciary Assets and Liabilities - Agency Funds
December 31, 2018

ASSETS

Cash and cash equivalents \$ 1,273,619

LIABILITIES

Due to other governments \$ 1,273,619

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

STEELE COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Steele 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.

A. 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 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, there are two component units to be included within the County as a reporting entity.

Component Units

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

Discretely Presented Component Units. The component unit column in the basic financial statements includes the financial data of the County's component units. These units are reported in separate columns to emphasize that it is legally separate from the County.

Steele County Water Resource District ("Water Resource District") - The County's governing board appoints a voting majority of the members of the Water Resource District Board. The County has the authority to approve or modify the Water Resource District operational and capital budgets. The County also must approve the tax levy established by the Water Resource District.

Steele County Job Development Authority ("Job Development Authority") - The County's governing board appoints a voting majority of the members of the Job Development Authority. The County has the authority to approve or modify the Job Development Authority operational and capital budgets. The County also must approve the tax levy established by the Job Development Authority.

B. 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.

STEELE COUNTY

Notes to the Financial Statements – Continued

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. All remaining governmental funds are aggregated and reported as nonmajor funds.

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.

Debt Service Fund - This fund accounts for the costs of paying off the County's bond obligations. The major sources of revenues are a restricted tax levy.

Additionally, the County reports the following fund type:

Agency Funds. These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's agency funds are used to account for property taxes collected on behalf of other governments.

C. 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 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 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.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the County during the years ended December 31, 2018 consist of certificates of deposit stated at cost with maturities in excess of three months.

STEELE COUNTY

Notes to the Financial Statements – Continued

E. Capital Assets

Primary Government

Capital assets, which include property, plant, and equipment, are reported in the 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 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. 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	40
Machinery and Equipment	5 - 15
Infrastructure	40
Vehicles	3 - 5
Office Equipment	3 - 5

Discretely Presented Component Units

Water Resource District

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

Asset	Years
Easements	Indefinite
Infrastructure	50

F. Compensated Absences

Vacation leave is earned by County employees at the rate of 7.5 hours to 16.5 hours per month depending on years of service and the type of County employee. Up to 240 hours of vacation leave may be carried over at each year-end by road department and social service employees. Up to 80 hours of vacation leave may be carried over at year-end by other County employees. Sick leave benefits are earned by full-time employees at the rate of one day per month regardless of the years of service. 800 hours of sick leave hours may be carried over from year to year. Employees are paid for sick leave upon termination of employment at a rate of 10 days of sick leave for 1 vacation day with a maximum of 100 sick leave days. Vested or accumulated vacation leave is reported in government-wide statement of net assets and the change in compensated absences is reported by expense function in the statement of activities.

G. 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, while discounts are reported as other financing sources. Issuance costs are reported as debt service expenditures.

H. 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.

STEELE COUNTY

Notes to the Financial Statements – Continued

I. Other Post-Employment Benefits (OPEB)

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

J. Fund Balances

Minimum Fund Balance Policy. The County established a 12.5% - 15% general fund carryover balance target to help with financial stability. The 12.5% - 15% fund balance range is a part of the County's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the County.

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 & 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.

K. 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.

L. 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.

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 2: DEPOSITS

Custodial Credit Risk

In accordance with North Dakota Statutes, the County maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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, 2018, the County's carrying amount of deposits totaled \$7,750,490, and the bank balances totaled \$7,827,511. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance, and \$11,951 was held at the Bank of North Dakota (not requiring collateralization). The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

The Water Resource District's carrying amount of deposits at December 31, 2018 totaled \$570,061 and the bank balances totaled \$571,211. Of the bank balances, \$447,169 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.

The Job Development Authority's carrying amount of deposits at December 31, 2018 totaled \$261,604 and the bank balances totaled \$284,252, all of which was covered by Federal Depository Insurance.

NOTE 3: TAXES RECEIVABLE

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: REFUND RECEIVABLE

Due to an erroneous error on a progressive estimate, the County overpaid on projects CP-4626(018) and CP-4604(018) and was owed a refund from Central Specialties, Inc in the amount of \$434,978 at December 31, 2018.

STEELE 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, 2018:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital assets not being depreciated				
Land	\$ 5,425	\$ -	\$ -	\$ 5,425
Construction in Progress	5,221,810	2,381,928	-	7,603,738
Total Capital Assets, Not Being Depreciated	\$ 5,227,235	\$ 2,381,928	\$ -	\$ 7,609,163
Capital assets, being depreciated				
Office Equipment	\$ 49,274	\$ -	\$ -	\$ 49,274
Vehicles	434,194	-	-	434,194
Machinery & Equipment	1,411,517	351,050	-	1,762,567
Buildings	944,899	-	-	944,899
Infrastructure	6,362,075	-	-	6,362,075
Total Capital Assets, Being Depreciated	\$ 9,201,959	\$ 351,050	\$ -	\$ 9,553,009
Less accumulated depreciation for				
Office Equipment	\$ 44,191	\$ 2,541	\$ -	\$ 46,732
Vehicles	297,028	34,760	-	331,788
Machinery & Equipment	1,169,857	97,784	-	1,267,641
Buildings	408,934	18,186	-	427,120
Infrastructure	809,596	159,052	-	968,648
Total Accumulated Depreciation	\$ 2,729,606	\$ 312,323	\$ -	\$ 3,041,929
Total Capital Assets Being Depreciated, Net	\$ 6,472,353	\$ 38,727	\$ -	\$ 6,511,080
Total Capital Assets, Net	\$11,699,588	\$ 2,420,655	\$ -	\$ 14,120,243

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

General Government	\$ 18,557
Highways and Bridges	255,019
Public Safety	27,652
Culture and Recreation	11,095
Total Depreciation Expense	\$ 312,323

STEELE COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component Unit

Steele County Water Resource District

The following is a summary of changes in capital assets for the year ended December 31, 2018 for the Steele County Water Resource District:

Steele County Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital assets not being depreciated				
Land	\$ 71,923	\$ -	\$ -	\$ 71,923
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	\$ 71,923	\$ -	\$ -	\$ 71,923
Capital assets, being depreciated				
Infrastructure	\$ 2,070,859	\$ -	\$ -	\$ 2,070,859
Less accumulated depreciation for Infrastructure	\$ 210,734	\$ 41,417	\$ -	\$ 252,151
Total Capital Assets Being Depreciated, Net	\$ 1,860,125	\$ (41,417)	\$ -	\$ 1,818,708
Total Capital Assets, Net	\$ 1,932,048	\$ (41,417)	\$ -	\$ 1,890,631

Depreciation of \$41,417 was charged to conservation of natural resources function.

Intangible Assets for the year ended December 31, 2018:

Steele County Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31
Intangible asset, not being depreciated				
Land Easement	\$ 105,700	\$ -	\$ -	\$ 105,700

Land Easements consists of the water resource districts cost to secure the right to construct drains on private land. This amount is not being amortized.

NOTE 6: LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2018, the following changes occurred in governmental activities long-term liabilities for Steele County:

Primary Government	Bal Jan 1 Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Leases	\$ 5,083	\$ -	\$ 2,541	\$ 2,542	\$ 2,542
General Obligation Bonds	7,400,000	-	320,000	7,080,000	325,000
Bond Premium	45,174	-	2,259	42,915	2,258
Total Long-Term Debt	\$ 7,450,257	\$ -	\$ 324,800	\$ 7,125,457	\$ 329,800
Compensated Absences *	\$ 21,340	\$ 3,881	\$ -	\$ 25,221	\$ 2,522
Net Pension and OPEB Liability	1,475,249	184,071	-	1,659,320	-
Total Long-Term Liabilities	\$ 8,946,846	\$ 187,952	\$ 324,800	\$ 8,809,998	\$ 332,322

* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

STEELE COUNTY

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding debt, excluding compensated absences and net pension and OPEB liability are as follows for the year ended December 31, 2018:

PRIMARY GOVERNMENT					
Year Ending December 31	Leases Payable		G.O. Bonds Payable		Bond Premium Premium
	Principal	Interest	Principal	Interest	
2019	\$ 2,542	\$ -	\$ 325,000	\$ 213,925	\$ 2,258
2020	-	-	330,000	205,375	2,259
2021	-	-	335,000	196,343	2,259
2022	-	-	345,000	186,739	2,259
2023	-	-	355,000	176,858	2,259
2024-2028	-	-	1,910,000	724,385	11,293
2029-2033	-	-	2,215,000	400,669	11,293
2034-2038	-	-	1,265,000	83,325	9,035
Total	\$ 2,542	\$ -	\$ 7,080,000	\$ 2,187,619	\$ 42,915

Discretely Presented Component Units

Steele County Water Resource District

During the year ended December 31, 2018, the following changes occurred in governmental and enterprise long-term liabilities of the District:

Water Resource District	Bal Jan 1 Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 908,362	\$ -	\$ 98,187	\$ 810,175	\$ 133,489
Loans Payable	46,930	-	12,067	34,863	4,924
Total Long-Term Debt	\$ 955,292	\$ -	\$ 110,254	\$ 845,038	\$ 138,413
Compensated Absences *	\$ 1,363	\$ -	\$ 822	\$ 541	\$ 54
Net Pension and OPEB Liability	51,608	9,611	-	61,219	-
Total Long-Term Liabilities	\$ 1,008,263	\$ 9,611	\$ 111,076	\$ 906,798	\$ 138,467

* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

Debt service requirements on long-term debt for the discretely presented component unit at December 31, 2018 are as follows:

WATER RESOURCE DISTRICT				
Year Ending December 31	Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2019	\$ 133,489	\$ 28,890	\$ 4,924	\$ 1,993
2020	134,836	22,932	5,207	1,711
2021	41,230	19,228	5,515	1,403
2022	42,673	17,765	5,837	1,081
2023	44,167	16,250	6,177	741
2024-2028	245,135	56,615	7,203	157
2029-2033	168,645	12,107	-	-
Totals	\$ 810,175	\$ 173,787	\$ 34,863	\$ 7,086

STEELE COUNTY

Notes to the Financial Statements – Continued

Steele County Job Development Authority

During the year ended December 31, 2018, the following changes occurred in governmental and enterprise long-term liabilities of the Job Development Authority:

Job Development Authority	Bal Jan 1 Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 1,733	\$ -	\$ 826	\$ 907	\$ 91
Net Pension and OPEB Liability	61,275	7,957	-	69,232	-
Total Long-Term Liabilities	\$ 63,008	\$ 7,957	\$ 826	\$ 70,139	\$ 91

* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

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 provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired after January 1, 2016 the Rule of 85 will be replaced with a 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. 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.

STEELE COUNTY

Notes to the Financial Statements – Continued

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 of 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.

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, 2018, the following net pension liabilities were reported:

	Net Pension Liability
Primary Government	\$ 1,589,670
Water Resource District	58,650
Job Development Authority	66,326

The net pension liability was measured as of June 30, 2018, 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 their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

STEELE COUNTY

Notes to the Financial Statements – Continued

	Proportion	Increase (Decrease) in Proportion from June 30, 2017 Measurement	Pension Expense
Primary Government	0.094197%	0.006487%	\$ 298,410
Water Resource District	0.003475%	0.000407%	11,010
Job Development Authority	0.003930%	0.000287%	12,451

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 4,209	\$ 54,084
Changes of Assumptions	573,837	22,689
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	7,734
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	107,107	4,119
District Contributions Subsequent to the Measurement Date	35,238	-
Total Primary Government	\$ 720,391	\$ 88,626

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 155	\$ 1,995
Changes of Assumptions	21,171	837
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	285
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,952	152
District Contributions Subsequent to the Measurement Date	1,300	-
Total Water Resource District	\$ 26,578	\$ 3,270

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 176	\$ 2,257
Changes of Assumptions	23,942	947
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	323
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,469	172
District Contributions Subsequent to the Measurement Date	1,470	-
Total Job Development Authority	\$ 30,057	\$ 3,698

STEELE COUNTY

Notes to the Financial Statements – Continued

The following amounts were 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, 2019:

Primary Government	\$ 35,238
Water Resource District	1,300
Job Development Authority	1,470

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

	Primary Government	Water Resource District	Job Development Authority
2019	\$ 199,776	\$ 7,371	\$ 8,335
2020	178,191	6,574	7,435
2021	132,954	4,905	5,547
2022	76,771	2,832	3,203
2023	8,834	326	369
2024	-	-	-

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 – 40	7.50%
	41 – 49	6.00%
	50+	5.00%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

STEELE 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	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	-.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	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).

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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

The following presents the County’s and Water Resource District’s proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Primary Government	\$ 2,160,065	\$ 1,589,670	\$ 1,113,693
Water Resource District	79,694	58,650	41,089
Job Development Authority	90,124	66,326	46,467

STEELE COUNTY

Notes to the Financial Statements – Continued

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. 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.

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. 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.

STEELE 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, 2018, the following net OPEB liabilities were reported:

	Net OPEB Liability
Primary Government	\$ 69,650
Water Resource District	2,570
Job Development Authority	2,906

The net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2017 Measurement	OPEB Expense
Primary Government	0.088608%	0.006042%	\$ 7,887
Water Resource District	0.003100%	(0.000295%)	276
Job Development Authority	0.003100%	(0.000295%)	328

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,085	\$ 1,439
Changes of Assumptions	5,715	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,498
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,640	28
District Contributions Subsequent to the Measurement Date	4,863	-
Total Primary Government	\$ 16,303	\$ 2,965

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 77	\$ 53
Changes of Assumptions	211	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	55
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	134	1
District Contributions Subsequent to the Measurement Date	179	-
Total Water Resource District	\$ 601	\$ 109

STEELE COUNTY

Notes to the Financial Statements – Continued

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 87	\$ 60
Changes of Assumptions	238	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	63
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	152	1
District Contributions Subsequent to the Measurement Date	203	-
Total Job Development Authority	\$ 680	\$ 124

The following amounts were 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, 2019:

Primary Government	\$ 4,863
Water Resource District	179
Job Development Authority	203

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

	Primary Government	Water Resource District	Job Development Authority
2019	\$ 1,158	\$ 43	\$ 48
2020	1,158	43	48
2021	1,158	43	48
2022	1,819	67	76
2023	1,698	63	71
2024 & Thereafter	1,484	55	62

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, net of investment expenses
Cost of living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

STEELE COUNTY

Notes to the Financial Statements – Continued

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Primary Government	\$ 88,125	\$ 69,650	\$ 53,813
Water Resource District	3,251	2,570	1,985
Job Development Authority	3,677	2,906	2,245

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 (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. The 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 two million dollars per occurrence. Public assets (mobile equipment and portable property) coverage is limited to \$1,769,670.

STEELE COUNTY

Notes to the Financial Statements – Continued

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The 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 one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County 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.

The County has worker’s compensation with the Workforce, Safety and Insurance. The Water Resource District purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 10: JOINT VENTURES

Under authorization of state statutes, Rush River Water Resource District joined Southeast Cass Water Resource District, North Cass Water Resource District, Maple River Water Resource District, and the water resource districts of Richland County, Grand Forks County, Pembina County, Traill County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for the water management districts located within the Red River Valley. Known as the Red River Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government’s share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government’s contribution each year depends on where Red River Joint Water Resource Board projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2018, which is the most current audited information available:

	Red River Joint WRD
Total Assets	\$ 11,751,624
Total Liabilities	48,695
Net Position	\$ 11,702,929
Revenues	\$ 2,421,328
Expenses	784,919
Change in Net Position	\$ 1,636,409

Complete financial statements for the Red River Joint Water Resource District may be obtained from the Treasurer’s office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

NOTE 11: CONSTRUCTION COMMITMENTS

The County had several open construction commitments as of December 31, 2018 as follows:

Project	Contract	Completed	Retainage	Balance
CNOA 4604(055)	\$ 3,896,580	\$ 3,827,743	\$ 344,880	\$ 413,717
BRC 4604(056)	213,149	215,302	2,153	-
CP-4604(018) & CP-4624(018)	2,207,506	2,123,599	106,180	190,087
Total	\$ 6,317,235	\$ 6,166,644	\$ 453,213	\$ 603,804

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 12: TAX ABATEMENTS

Steele County and political subdivisions within the County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Steele County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2018.

Steele County will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

Commercial and Residential:

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-05.2-03) and the guidelines stated below. The following criteria are only guidelines.

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$26,711

The \$26,711 is 100% comprised of the exemption given to Finley Farmers Elevator.

NOTE 13: SUBSEQUENT EVENTS

On January 2, 2019, Traill County Social Services and Steele County Social Services combined to form the Agassiz Valley Social Service District. Traill County will be the lead county and all activity will go through Traill County.

STEELE COUNTY

Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 569,287	\$ 569,287	\$ 583,536	\$ 14,249
Intergovernmental	271,500	271,500	319,674	48,174
Charges for services	173,008	173,008	347,583	174,575
Interest income	-	-	26,294	26,294
Miscellaneous	55,000	55,000	124,142	69,142
Total Revenues	\$ 1,068,795	\$ 1,068,795	\$ 1,401,229	\$ 332,434
EXPENDITURES				
Current				
General government	\$ 1,295,729	1,315,409	\$ 1,286,090	\$ 29,319
Public safety	348,282	348,282	305,554	42,728
Health and welfare	122,882	122,882	105,836	17,046
Culture and Recreation	179,500	179,500	172,108	7,392
Debt Service				
Principal	-	-	2,542	(2,542)
Total Expenditures	\$ 1,946,393	\$ 1,966,073	\$ 1,872,130	\$ 93,943
Excess (Deficiency) of Revenues Over Expenditures	\$ (877,598)	\$ (897,278)	\$ (470,901)	\$ 426,377
Fund Balances - January 1	\$ 1,983,561	\$ 1,983,561	\$ 1,983,561	\$ -
Fund Balances - December 31	\$ 1,105,963	\$ 1,086,283	\$ 1,512,660	\$ 426,377

The notes to the required supplementary information are an integral part of this statement.

STEELE COUNTY

Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Property tax	\$ 963,587	\$ 963,587	\$ 859,924	\$ (103,663)
Sales tax	175,000	175,000	182,245	7,245
Intergovernmental	610,201	610,201	675,719	65,518
Charges for services	184,500	184,500	210,237	25,737
Miscellaneous	1,900	1,900	7,800	5,900
Total Revenues	1,935,188	1,935,188	1,935,925	737
EXPENDITURES				
Current				
General government	\$ 251,000	\$ 251,000	\$ 359,226	\$ 108,226
Public safety	73,002	73,002	41,285	(31,717)
Highways and bridges	1,441,146	1,453,758	1,202,978	(250,780)
Health and welfare	333,862	344,543	320,756	(23,787)
Emergency	-	82,289	82,289	-
Conserv. of natural resources	90,568	91,546	77,233	(14,313)
Total Expenditures	\$ 2,189,578	\$ 2,296,138	\$ 2,083,767	\$ (212,371)
Excess (Deficiency) of Revenues Over Expenditures	\$ (254,390)	\$ (360,950)	\$ (147,842)	\$ (211,634)
Fund Balances - January 1	\$ 3,622,260	\$ 3,622,260	\$ 3,622,260	\$ -
Fund Balances - December 31	\$ 3,367,870	\$ 3,261,310	\$ 3,474,418	\$ (211,634)

The notes to the required supplementary information are an integral part of this statement.

STEELE COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2018

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

Primary Government	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.094197%	\$ 1,589,670	\$ 967,694	164.27%	62.80%
2017	0.087710%	1,409,782	895,376	157.45%	61.98%
2016	0.088298%	860,548	889,829	96.71%	70.46%
2015	0.082967%	564,163	739,136	76.33%	77.15%
2014	0.066776%	423,844	562,513	75.35%	77.70%

Water Resource District	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.003475%	\$ 58,650	\$ 35,702	164.27%	62.80%
2017	0.003068%	49,318	31,323	157.45%	61.98%
2016	0.003630%	35,380	36,584	96.71%	70.46%
2015	0.003770%	25,633	33,582	76.33%	77.15%
2014	0.003034%	19,257	25,558	75.35%	77.70%

Job Development Authority	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.003930%	\$ 66,326	\$ 40,375	164.27%	62.80%
2017	0.003643%	58,555	33,800	173.24%	61.98%
2016	0.003108%	30,291	31,322	96.71%	70.46%
2015	0.003368%	22,905	30,009	76.33%	77.15%
2014	0.002711%	17,208	22,838	75.35%	77.70%

The notes to the required supplementary information are an integral part of this statement.

STEELE COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued

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

Primary Government	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 71,275	\$ 69,406	\$ 1,868	\$ 967,694	7.17%
2017	64,926	64,777	149	928,119	6.98%
2016	64,422	63,899	523	911,149	7.01%
2015	56,144	57,705	(1,561)	837,931	6.89%
2014	40,051	40,051	-	786,244	5.09%

Water Resource District	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 2,974	\$ 2,561	\$ 413	\$ 35,702	7.17%
2017	2,271	2,266	5	32,468	6.98%
2016	2,649	2,627	22	31,874	8.24%
2015	2,551	2,622	(71)	29,313	8.94%
2014	1,820	1,820	-	27,505	6.62%

Job Development Authority	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 2,974	\$ 2,896	\$ 78	\$ 40,375	7.17%
2017	2,698	2,692	6	37,206	7.23%
2016	2,447	2,427	20	33,799	7.18%
2015	2,484	2,553	(69)	32,697	7.81%
2014	1,772	1,772	-	24,883	7.12%

The notes to the required supplementary information are an integral part of this statement.

STEELE COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2018

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

Primary Government	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB (Asset)	District's Covered-Employee Payroll	District's 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
2018	0.088608%	\$ 69,650	\$ 967,694	7.20%	61.89%
2017	0.082566%	65,468	895,376	7.31%	59.78%

Water Resource District	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB (Asset)	District's Covered-Employee Payroll	District's 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
2018	0.003100%	\$ 2,570	\$ 35,702	7.20%	61.89%
2017	0.003395%	2,290	31,323	7.31%	59.78%

Job Development Authority	District's Proportion of the Net OPEB Liability (Asset)	District's Proportionate Share of the Net OPEB (Asset)	District's Covered-Employee Payroll	District's 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
2018	0.003100%	\$ 2,906	\$ 40,375	7.20%	61.89%
2017	0.003395%	2,719	37,190	7.31%	59.78%

The notes to the required supplementary information are an integral part of this statement.

STEELE COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions - Continued

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

Primary Government	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	City's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 11,351	\$ 11,113	\$ 237	\$ 967,694	1.15%
2017	10,408	10,371	37	895,356	1.16%

Water Resource District	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	City's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 419	\$ 410	\$ 9	\$ 35,702	1.15%
2017	364	363	1	31,326	1.16%

Job Development Authority	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	City's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 474	\$ 464	\$ 10	\$ 40,375	1.15%
2017	433	431	2	37,206	1.16%

The notes to the required supplementary information are an integral part of this statement.

STEELE COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

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, each special revenue fund, and each debt service 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 ASSUMPTIONS – PENSION AND OPEB

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NOTE 4: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of County commissioners amended the County budget for 2018 as follows:

Fund	Original Budget	Amendment	Amended Budget
EXPENDITURES			
General Fund	\$ 1,946,393	\$ 19,680	\$ 1,966,073
Special Revenue Fund	2,189,578	106,560	2,296,138

STEELE COUNTY

Fund Activity - Cash Basis

For the Year Ended December 31, 2018

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
Governmental Funds						
General Fund						
General Fund	\$ 2,146,643.53	\$ 1,334,309.01	\$ -	\$ -	\$ 1,916,073.44	\$ 1,564,879.10
Capital Projects General Fund	(113,813.34)	2,500.00	-	-	-	(111,313.34)
Health Care Insurance	24.80	-	-	-	-	24.80
County Park	156,214.02	49,366.50	-	-	-	205,580.52
Total General Fund	\$ 2,189,069.01	\$ 1,386,175.51	\$ -	\$ -	\$ 1,916,073.44	\$ 1,659,171.08
Special Revenue Fund						
County Sales Tax	\$ 559,354.06	\$ 179,634.34	\$ -	\$ -	\$ 8,569.23	\$ 730,419.17
Farm to Market Road	830,671.79	269,891.56	-	-	275,197.40	825,365.95
Road Construction	195,293.19	-	-	-	12,505.74	182,787.45
Utility Permits	5,029.99	-	-	-	-	5,029.99
Weight Restriction Management	43,160.51	5,967.00	-	-	3,771.96	45,355.55
County Road and Bridge	457,268.49	575,993.87	296,470.47	-	761,737.45	567,995.38
Highway Tax Distribution	32,925.83	318,925.26	-	296,470.47	-	55,380.62
County Road - 5 Mill	569,456.36	145,783.82	-	-	136,638.60	578,601.58
Correctional Facility	61,895.75	10,552.84	-	-	6,526.58	65,922.01
County Share of Specials	(299.86)	-	-	-	330.00	(629.86)
Human Services Fund	99,320.12	291,684.79	-	-	277,381.82	113,623.09
Foster Care	10,861.34	-	-	-	10,861.34	-
911 Fund	44,392.46	31,983.25	-	-	34,768.59	41,607.12
Flood 2010	2,055.30	-	-	-	-	2,055.30
Flood 2011	-	-	-	-	-	-
Hazardous Chemical Preparedness	29.25	550.00	-	-	-	579.25
Emergency Fund	394,401.49	3,237.95	-	-	82,289.44	315,350.00
Veterans Service Officer	11,124.99	29,989.52	-	-	32,886.02	8,228.49
County Agent	51,079.85	33,901.40	-	-	40,635.99	44,345.26
County Agent Special Fund	2,541.10	2,485.00	-	-	3,527.94	1,498.16
Weed Control	122,581.08	8,781.46	-	-	33,875.53	97,487.01
Document Preservation Fund	33,588.24	3,945.00	-	-	-	37,533.24
Total Special Revenue Fund	\$ 3,526,731.33	\$ 1,913,307.06	\$ 296,470.47	\$ 296,470.47	\$ 1,721,503.63	\$ 3,718,534.76
Capital Projects Fund						
Capital Project Road Fund	\$ 182,597.19	\$ -	\$ -	\$ -	\$ -	182,597.19
Total Capital Projects Fund	\$ 182,597.19	\$ -	\$ -	\$ -	\$ -	\$ 182,597.19
Debt Service Fund						
County Bond	\$ 216,535.12	\$ 525,674.02	\$ -	\$ -	\$ -	\$ 742,209.14
County Bond 2017	3,208,768.94	549.19	-	-	3,032,134.41	177,183.72
Total Debt Service Fund	\$ 3,425,304.06	\$ 526,223.21	\$ -	\$ -	\$ 3,032,134.41	\$ 919,392.86
Total Governmental Funds	\$ 9,323,701.59	\$ 3,825,705.78	\$ 296,470.47	\$ 296,470.47	\$ 6,669,711.48	\$ 6,479,695.89

Continued on next page...

STEELE COUNTY

Schedule of Fund Activity - Cash Basis - Continued

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
Agency Funds						
Job Development Authority	\$ 23,536.24	\$ 73,879.63	\$ -	\$ -	\$ 74,940.69	\$ 22,475.18
Senior Citizens	9,414.51	53,910.82	-	-	54,335.25	8,990.08
Historical Society	7,060.90	21,321.52	-	-	21,639.80	6,742.62
State Tax	9,414.51	(424.43)	-	-	-	8,990.08
Civil Filing Fees	1,250.00	-	-	-	-	1,250.00
Victim Advocacy	1,850.00	1,450.00	-	-	-	3,300.00
Court Costs	400.00	-	-	-	-	400.00
Payroll Deductions	(12,367.01)	60.18	-	-	867.80	(13,174.63)
Estimated Tax	855.08	2,282.91	-	-	2,282.91	855.08
Mobile Home Tax	1,132.83	-	-	-	-	1,132.83
Steele County Soil Conservation	9,414.51	29,132.96	-	-	29,557.39	8,990.08
Maple-Steele Joint Dist	-	642.79	-	-	642.79	-
Emergency Medical Services	38,689.59	93,512.35	-	-	95,938.51	36,263.43
Aneta Ambulance Service	1,698.85	4,086.44	-	-	4,881.11	904.18
Total Cities	85,693.68	506,472.31	-	-	503,073.22	89,092.77
Total Parks	12,768.83	69,219.59	-	-	67,636.80	14,351.62
Total Schools	727,814.14	2,170,572.40	-	-	2,213,127.49	685,259.05
Total Townships	215,408.17	783,894.51	-	-	784,193.11	215,109.57
Total Water Resource District	150,962.00	374,150.80	-	-	391,030.29	134,082.51
Total Rural Fire Districts	52,947.55	199,514.84	-	-	203,858.32	48,604.07
Total Agency Funds	\$ 1,337,944.38	\$ 4,383,679.62	\$ -	\$ -	\$ 4,448,005.48	\$ 1,273,618.52
Total Primary Government	\$ 10,661,645.97	\$ 8,209,385.40	\$ 296,470.47	\$ 296,470.47	\$ 11,117,716.96	\$ 7,753,314.41

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone (701) 239-7250

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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
Steele County
Finley, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Steele County's basic financial statements, and have issued our report thereon dated July 10, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2018-001, 2018-002, 2018-003, 2018-004, and 2018-005 that we consider to be material weaknesses.

STEELE 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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Steele County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *summary of auditor's results and findings* as item 2018-005.

Steele County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
July 10, 2019

STEELE COUNTY

Summary of Auditor's Results and Findings
For the Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Discretely Presented Component Units	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> X </u> Yes	<u> </u> None Noted

Section II - Financial Statement Findings

2018-001 – FINANCIAL STATEMENT PREPARATION

Condition

Steele County does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Criteria

Management of Steele County is responsible for establishing proper internal control over the preparation of Steele County's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

Management is not fully knowledgeable of the process of preparing financial statements in compliance with GAAP.

Effect

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

Recommendation

We recommend Steele County design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continue to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

Steele County's Response

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

STEELE COUNTY

Summary of Auditor’s Results and Findings - Continued

2018-002 – ADJUSTING JOURNAL ENTRIES

Condition

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Criteria

Steele County is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Cause

Management is not fully knowledgeable of identifying necessary adjustments to present the financial statements in compliance with GAAP.

Effect

Inadequate internal controls over recording of transactions affects Steele County’s ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

We recommend that Steele County design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

Steele County’s Response

Agree. Steele County does not have adequate resources to obtain proper internal controls and training to make and identify all necessary adjustments. We will continue to try to identify all items in need of adjustment at year end to comply with GAAP.

2018-003 – EXPENDITURE MONITORING

Condition

Steele County approved and paid progressive estimate No.1 on projects CP-4626(018) and CP-4604(018) which had erroneously overstated the total cost amount by \$370,830 over the total contract cost (\$2,205,989.97). No change order was noted to justify total cost to be an excess of the original bid (\$2,205,989.97). This oversight led to Steele County over paying the contractor \$434,978. The engineering firm later caught the error and a refund was given from Central Specialties, Inc. to correct the overpayment by Steele County.

Criteria

According to the Committee of Sponsoring Organizations of the Treadway Commission on proper internal controls, it is management's responsibility to put proper controls in place to provide reasonable assurance of safeguarding assets, complying with management directives and accurate financial reporting. Proper review and approvals are necessary controls.

Cause

Management of Steele County did not adequately review the progressive estimate. Total costs to date should have been compared to the total contract cost. Steele County management over relied on the engineering firm’s presentation of the progressive estimate.

STEELE COUNTY

Summary of Auditor's Results and Findings - Continued

Effect

Without adequately reviewing the engineer's progressive estimates of work completed, Steele County exposes itself to risk of loss of assets, potential liabilities, and damage to the County's reputation, whether or not due to error or fraud.

Recommendation

We recommend management carefully review any engineer's progressive estimates/contractor invoices before approval to ensure only proper payments are made. Special attention should be given to total costs to date versus the contract cost on construction invoices.

Steele County's Response

Agree. Steele County will make efforts to pay closer attention to total costs to date versus the contract cost and review engineers work prior to paying invoices.

2018-004 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS

Condition

Steele County Water Resource District and Steele County Job Development Authority have limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Criteria

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 districts.

Cause

Management has chosen to allocate economic resources to other functions of the Water Resource District and Job Development Authority.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the district's financial condition.

Recommendation

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

- Financial statements and credit memos should be reviewed 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.

Steele County's Response

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Water Resource District and Job Development Authority.

STEELE COUNTY

Summary of Auditor's Results and Findings - Continued

2018-005 – BOND COVENANT

Condition

As of December 31, 2018, Steele County did not create a separate construction fund to pay for project costs related to the General Obligation Highway Bonds, Series 2017. Project costs were paid out of the bond fund and all tax revenue levied for general obligation bonds went into only one of the two general obligation bond funds.

Criteria

The bond agreement states "The County shall establish a Construction Fund which shall be established and maintained as a separate fund and used only to pay or reimburse costs and expenses which under accepted accounting practices constitute capital costs necessarily incurred to construct the Improvements...To this fund shall be credited all proceeds of the Bonds, except accrued interest which will be deposited into the Bond Fund.

There shall be and is hereby established a special fund to be maintained by the County Auditor separate and apart from all other funds of the County, to be designated as the General Obligation Highway Bonds, Series 2017 Bond Fund (the "Bond Fund")...All payments of principal and interest made on each improvement warrant shall be credited to the Bond Fund and shall be used and applied in payment of the principal of and interest on the Bonds as such principal and interest become due."

Cause

The County auditor was unaware that a separate construction fund needed to be created.

Effect

Steele County is in violation of two covenants of the General Obligation Highway Bonds, Series 2017 bond agreement.

Recommendation

We recommend Steele County set up a separate construction fund to pay for project costs, transfer the bond proceeds from the bond fund into this fund, transfer tax revenue into the proper fund, and ensure the County stays in compliance with all of its bond covenants. We also recommend someone other than the auditor periodically check to ensure the County is in violation of any current covenants.

Steele County's Response

Agree. The construction fund was created in the beginning of 2019 and the appropriate funds were allocated to this fund.



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GOVERNANCE COMMUNICATION

Board of County Commissioners
Steele County
Finley, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Steele County, North Dakota, for the year ended December 31, 2018 which collectively comprise Steele County's basic financial statements, and have issued our report thereon dated **July 10, 2019**. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards

As stated in our engagement letter dated May 9, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

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

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Steele County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

STEELE 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 below lists all misstatements detected as a result of audit procedures that were corrected by management.

PRIMARY GOVERNMENT

Client Provided Adjustments

Expenditures	\$	72,878		
Accounts Payable			\$	60,460
Salaries Payable				12,418

Audit Adjustments

Revenue		662,671		
Grants Received in Advance				2,055
Taxes Received in Advance				632,288
Due to Other Governments				28,328
Intergovernmental Receivable		182,937		
Revenue				182,937
Miscellaneous Refund Receivable		434,978		
Expenditures				434,978
Reclass Bond Payments to Construction Expense		2,437,602		
Reclass Bond Payments to Interest Expense		272,228		
Reclass Bond Payments from Principle Expense				2,709,830
Expenses		453,213		
Retainage Payable				453,213

WATER RESOURCE DISTRICT

Audit Adjustments

Expenses	\$	14,192		
Accounts Payable			\$	14,192

JOB DEVELOPMENT AUTHORITY

Audit Adjustments

Unrealized Loss on Investments	\$	682		
Net Position			\$	682
Expenses		19,225		
Cash				19,225

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 **July 10, 2019**.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

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.

The following presents our informal recommendation:

FRAUD RISK ASSESSMENT

Steele County does not currently prepare a fraud risk assessment of the entire entity. If the County does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the County's goals in reporting, reliance, and accountability.

We recommend Steele County prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

STEELE COUNTY

Governance Communication – Continued

This information is intended solely for the use of the Board of County Commissioners and management of Steele County, 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 Steele 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 Steele County.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
July 10, 2019

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