



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Steele County

Finley, North Dakota

Audit Report for the Year Ended December 31, 2020

Client Code: PS46000



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Office of the
State Auditor

STEELE COUNTY

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STEELE COUNTY

County Officials and Audit Personnel
December 31, 2020

COUNTY OFFICIALS

Chairman	Richard Strand
Commissioner	Russell Walcker
Commissioner	Brian Tuite
Commissioner	Ted Johnson
Commissioner	Brandon Krueger
County Auditor	Emily Wigen
County Treasurer	Kari Dekker
Tax Director	Amy Czapiewski
Sheriff	Wayne Beckman
State's Attorney	Charles Stock

AUDIT PERSONNEL

Audit Manager	Heath Erickson, CPA
Audit In-Charge	Mike Scherr

STATE AUDITOR
Joshua C. Gallion



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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 aggregate 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, 2020, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County, North Dakota, as of December 31, 2020, 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, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information* 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2021 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

Bismarck, North Dakota
April 14, 2021

STEELE COUNTY

Statement of Net Position

December 31, 2020

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Job Development Authority
ASSETS			
Cash, cash equivalents, and investments	\$ 5,089,431	\$ 381,590	\$ 247,708
Intergovernmental receivable	96,448	15,800	-
Accounts receivable	5,349	-	3,594
Taxes receivable	43,153	1,810	1,509
Intangible assets	-	105,700	-
Capital assets			
Nondepreciable	5,425	157,699	-
Depreciable, net	14,933,484	1,735,874	-
Total Assets	<u>\$ 20,173,290</u>	<u>\$ 2,398,473</u>	<u>\$ 252,811</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	<u>\$ 1,561,334</u>	<u>\$ 62,464</u>	<u>\$ 14,796</u>
LIABILITIES			
Accounts payable	\$ 61,453	\$ 26,651	\$ 2,326
Salaries and benefits payable	9,923	56	-
Grants received in advance	2,055	-	-
Retainage payable	-	4,666	-
Interest payable	55,268	17,192	-
Long-Term Liabilities			
Due within one year			
Long-term debt	339,740	46,745	-
Compensated absences	2,170	152	-
Due after one year			
Long-term debt	6,153,401	519,409	-
Compensated absences	19,526	1,368	-
Net pension and OPEB liability	2,641,638	105,684	25,033
Total Liabilities	<u>\$ 9,285,174</u>	<u>\$ 721,923</u>	<u>\$ 27,359</u>
DEFERRED INFLOWS OF RESOURCES			
Derived from pension and OPEB	<u>\$ 490,640</u>	<u>\$ 19,629</u>	<u>\$ 4,650</u>
NET POSITION			
Net investment in capital assets	\$ 8,390,500	\$ 1,305,561	\$ -
Restricted			
Debt service	620,642	-	-
Highways and bridges	1,191,766	-	-
Capital Projects	204,151	-	-
Conservation of natural resources	111,703	413,824	-
Emergencies	307,990	-	-
Flood repairs	5,529	-	-
General government	372,866	-	-
Economic development	-	-	235,598
Unrestricted	753,663	-	-
Total Net Position	<u>\$ 11,958,810</u>	<u>\$ 1,719,385</u>	<u>\$ 235,598</u>

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

STEELE COUNTY

Statement of Activities

For the Year Ended December 31, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
Functions/Programs	Expenses				Governmental Activities	Water Resource District	Job Development Authority
Primary Government							
General government	\$ 1,494,068	\$ 149,921	\$ -	\$ -	\$ (1,344,147)		
Public safety	288,397	64,735	99,520	-	(124,142)		
Highways and bridges	1,600,338	207,026	290,455	92,511	(1,010,346)		
Flood repairs	155,316	-	-	-	(155,316)		
Health and welfare	339,797	40,883	31,777	93,759	(173,378)		
Culture and recreation	56,080	-	-	-	(56,080)		
Conservation of natural resources	87,825	3,998	-	-	(83,827)		
Emergency	19,828	-	-	-	(19,828)		
Interest & Fees	216,006	-	-	-	(216,006)		
Total Governmental Activities	\$ 4,257,655	\$ 466,563	\$ 421,752	\$ 186,270	\$ (3,183,070)		
Component Units							
Water Resource District	\$ 470,356	\$ -	\$ 100,840	\$ 53,920		\$ (315,596)	\$ -
Job Development Authority	57,817	-	-	-		-	(57,817)
Total Component Units	\$ 528,173	\$ -	\$ 100,840	\$ 53,920		\$ (315,596)	\$ (57,817)
General Revenues							
Property taxes					\$ 2,156,144	\$ 345,382	\$ 80,173
Sales taxes					207,765	-	-
Unrestricted grants and contributions					864,576	4,665	-
Unrestricted investment earnings					38,181	4,795	1,219
Miscellaneous revenue					181,876	1,953	35,338
Unrealized gain (loss) on investments					-	-	(176)
Total General Revenues					\$ 3,448,542	\$ 356,795	\$ 116,554
Change in Net Position					\$ 265,472	\$ 41,199	\$ 58,737
Net Position - January 1					\$ 11,693,338	\$ 1,678,186	\$ 176,861
Net Position - December 31					\$ 11,958,810	\$ 1,719,385	\$ 235,598

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

STEELE COUNTY

Balance Sheet – Governmental Funds
December 31, 2020

	Major Funds			Capital	Total
	General	Special Revenue	Debt Service	Project	Governmental Funds
ASSETS					
Cash, cash equivalents, and investments	\$ 980,821	\$ 3,294,867	\$ 609,592	\$ 204,151	\$ 5,089,431
Intergovernmental receivable	78,879	17,569	-	-	96,448
Accounts receivable	1,833	3,516	-	-	5,349
Taxes receivable	15,332	16,771	11,050	-	43,153
Total Assets and Deferred Outflows of Resources	\$ 1,076,865	\$ 3,332,723	\$ 620,642	\$ 204,151	\$ 5,234,381
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 9,597	\$ 51,856	\$ -	\$ -	\$ 61,453
Salaries payable	-	9,923	-	-	9,923
Grants received in advance	-	2,055	-	-	2,055
Total Liabilities	\$ 9,597	\$ 63,834	\$ -	\$ -	\$ 73,431
Deferred Inflows of Resources					
Taxes receivable	\$ 15,332	\$ 16,771	\$ 11,050	\$ -	\$ 43,153
Total Liabilities and Deferred Inflows of Resources	\$ 24,929	\$ 80,605	\$ 11,050	\$ -	\$ 116,584
Fund Balances					
Restricted					
Public safety	\$ -	\$ 102,024	\$ -	\$ -	\$ 102,024
Highways and bridges	-	1,776,156	-	-	1,776,156
Flood repairs	-	5,531	-	-	5,531
Health and welfare	-	8,722	-	-	8,722
Capital projects	-	-	-	204,151	204,151
Conservation of natural resources	-	128,728	-	-	128,728
Emergencies	-	307,990	-	-	307,990
General government	-	922,967	-	-	922,967
Debt service	-	-	609,592	-	609,592
Unassigned	1,051,936	-	-	-	1,051,936
Total Fund Balances	\$ 1,051,936	\$ 3,252,118	\$ 609,592	\$ 204,151	\$ 5,117,797
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,076,865	\$ 3,332,723	\$ 620,642	\$ 204,151	\$ 5,234,381

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, 2020

Total Fund Balances of Governmental Funds	\$ 5,117,797
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	14,938,909
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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.	43,153
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Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental		
Deferred outflows related to pensions and OPEB	\$ 1,561,334	
Deferred inflows related to pensions and OPEB	<u>(490,640)</u>	1,070,694

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Long-term debt	\$ (6,493,141)	
Interest payable	(55,268)	
Compensated absences payable	(21,696)	
Net pension and OPEB liability	<u>(2,641,638)</u>	<u>(9,211,743)</u>

Total Net Position of Governmental Activities	<u>\$ 11,958,810</u>
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The notes to the financial statements are an integral part of this statement.

STEELE COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2020

	Major Funds			Capital Project	Total Governmental Funds
	General	Special Revenue	Debt Service		
REVENUES					
Property tax	\$ 779,769	\$ 824,813	\$ 547,733	\$ -	\$ 2,152,315
Sales tax	-	207,765	-	-	207,765
Intergovernmental	735,211	548,509	2,608	-	1,286,328
Charges for services	224,038	255,025	-	-	479,063
Interest income	38,181	-	-	-	38,181
Miscellaneous	166,028	15,848	-	-	181,876
Total Revenues	\$ 1,943,227	\$ 1,851,960	\$ 550,341	\$ -	\$ 4,345,528
EXPENDITURES					
Current					
General government	\$ 1,183,660	\$ 140,622	\$ -	\$ -	\$ 1,324,282
Public safety	260,479	46,560	-	-	307,039
Highways and bridges	-	1,265,027	-	-	1,265,027
Flood repairs	-	155,316	-	-	155,316
Health and welfare	248,869	41,862	-	-	290,731
Culture and recreation	46,106	-	-	-	46,106
Conservation of natural resources	-	82,986	-	-	82,986
Emergency	-	19,828	-	-	19,828
Debt Service					
Principal	-	-	330,000	-	330,000
Interest	-	-	219,331	-	219,331
Fees	-	-	2,590	-	2,590
Total Expenditures	\$ 1,739,114	\$ 1,752,201	\$ 551,921	\$ -	\$ 4,043,236
Excess (Deficiency) of Revenues Over Expenditures	\$ 204,113	\$ 99,759	\$ (1,580)	\$ -	\$ 302,292
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 52,271	\$ 319,949	\$ 522,296	\$ -	\$ 894,516
Transfers out	(52,271)	(319,949)	(522,296)	-	(894,516)
Net Change in Fund Balances	\$ 204,113	\$ 99,759	\$ (1,580)	\$ -	\$ 302,292
Fund Balances - January 1	\$ 847,823	\$ 3,152,359	\$ 611,172	\$ 204,151	\$ 4,815,505
Fund Balances - December 31	\$ 1,051,936	\$ 3,252,118	\$ 609,592	\$ 204,151	\$ 5,117,797

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, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 302,292
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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	\$ 406,000	
Capital contribution	186,270	
Depreciation expense	<u>(575,137)</u>	17,133

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

Bond premium amortization	\$ 4,740	
Repayment of debt	<u>330,000</u>	334,740

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

Decrease in Retainage Payable	\$ 44,757	
Decrease in Interest Payable	1,175	
Increase in Compensated Absences	<u>(130)</u>	45,802

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.

Increase in Taxes Receivable	\$ 3,829	
Decrease in Road Receivable	<u>(12,500)</u>	(8,671)

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

Increase in Net Pension & OPEB Liability	\$ (1,564,397)	
Increase in Deferred Outflows of Resources	1,042,794	
Decrease in Deferred Inflows of Resources	<u>95,779</u>	<u>(425,824)</u>

Change in Net Position of Governmental Activities	<u>\$ 265,472</u>
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The notes to the financial statements are an integral part of this statement.

STEELE COUNTY

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

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 2,484,398
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 25,558
Funds Held for Other Purposes	5,500
Total Liabilities	\$ 31,058
Deferred Inflows of Resources	
Taxes Received in Advance	\$ 2,453,340
Total Liabilities and Deferred Inflows of Resources	\$ 2,484,398

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

STEELE COUNTYStatement of Changes in Fiduciary Net Position - Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 6,208,956
Grant Collections for Other Governments	8,270
Miscellaneous Collections	<u>100</u>
Total Additions	<u>\$ 6,217,326</u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 6,208,956
Grant Disbursements to Other Governments	8,270
Miscellaneous Disbursements	<u>100</u>
Total Deductions	<u>\$ 6,217,326</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ -</u>

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, 2020

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.

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 discretely presented component units.

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.

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 fiduciary funds:

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

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.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the County during the years ended December 31, 2020 consist of certificates of deposit stated at cost with maturities in excess of three months.

STEELE COUNTY

Notes to the Financial Statements – Continued

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

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.

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.

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

Minimum Fund Balance Policy. The County established a 15% - 20% general fund carryover balance target to help with financial stability. The 15% - 20% fund balance range is a part of the 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.

Net Position

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

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

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

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

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

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

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, 2020, the County's carrying amount of deposits totaled \$7,571,096, and the bank balances totaled \$7,600,736. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2020, the Water Resource District's carrying amount of deposits totaled \$381,590 and the bank balances totaled \$413,092. Of the bank balances, \$318,633 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2020, the Job Development Authority's carrying amount of deposits totaled \$244,906 and the bank balances totaled \$249,602, 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: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2020:

	Transfers In	Transfers Out
General Fund	\$ 52,271	\$ 52,271
Special Revenue Fund		
County Road and Bridge	319,949	-
Highway Tax Distribution	-	317,894
Flood 2010	-	2,055
Debt Service Fund	522,296	522,296
Total Transfers	\$ 894,516	\$ 894,516

Transfers are done primarily for unrestricted revenues to finance various programs and to transfer money to help finance various construction and road projects.

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 5: CONSTRUCTION COMMITMENTS**Primary Government**

The County had the following open construction commitments as of December 31, 2020:

Project	Contract	Completed	Retainage	Balance
CR No.5 Bridge Replacement - Engineering	\$ 65,000	\$ 51,916	\$ -	\$ 13,084

Discretely Presented Component UnitSteele County Water Resource District

The following is a listing of open construction commitments for the year ended December 31, 2020:

Project	Contract	Completed	Retainage	Balance
Lake Tobiason Improvement	\$ 93,310	\$ 85,776	\$ 4,666	\$ 12,200

NOTE 6: CAPITAL ASSETS**Primary Government**

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

Primary Government	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated					
Land	\$ 5,425	\$ -	\$ -	\$ -	\$ 5,425
Construction in Progress	3,037,005	357,750	-	(3,394,755)	-
Total Capital Assets, Not Being Depreciated	\$ 3,042,430	\$ 357,750	\$ -	\$ (3,394,755)	\$ 5,425
Capital assets, being depreciated					
Office Equipment	\$ 43,540	\$ -	\$ -	\$ -	\$ 43,540
Vehicles	513,421	118,424	45,564	-	586,281
Machinery & Equipment	1,769,217	116,096	75,000	-	1,810,313
Buildings	944,899	-	-	-	944,899
Infrastructure	12,103,170	-	-	3,394,755	15,497,925
Total Capital Assets, Being Depreciated	\$ 15,374,247	\$ 234,520	\$ 120,564	\$ 3,394,755	\$ 18,882,958
Less accumulated depreciation for					
Office Equipment	\$ 43,539	\$ -	\$ -	\$ -	\$ 43,539
Vehicles	382,394	62,429	45,564	-	399,259
Machinery & Equipment	1,352,435	107,074	75,000	-	1,384,509
Buildings	445,306	18,186	-	-	463,492
Infrastructure	1,271,227	387,448	-	-	1,658,675
Total Accumulated Depreciation	\$ 3,494,901	\$ 575,137	\$ 120,564	\$ -	\$ 3,949,474
Total Capital Assets Being Depreciated, Net	\$ 11,879,346	\$ (340,617)	\$ -	\$ 3,394,755	\$ 14,933,484
Total Capital Assets, Net	\$ 14,921,776	\$ 17,133	\$ -	\$ -	\$ 14,938,909

STEELE COUNTY

Notes to the Financial Statements – Continued

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

General Government	\$ 23,466
Highways and Bridges	492,976
Public Safety	35,645
Culture and Recreation	7,515
Health & Welfare	15,535
Total Depreciation Expense	\$ 575,137

Discretely Presented Component UnitSteele County Water Resource District

The following is a summary of changes in capital assets for the year ended December 31, 2020 for the Steele County Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated					
Land	\$ 71,923	\$ -	\$ -	\$ -	\$ 71,923
Construction in Progress	-	85,776	-	-	85,776
Total Capital Assets, Not Being Depreciated	\$ 71,923	\$ 85,776	\$ -	\$ -	\$ 157,699
Capital assets, being depreciated					
Infrastructure	\$ 2,070,859	\$ -	\$ -	\$ -	\$ 2,070,859
Less accumulated depreciation for Infrastructure	\$ 293,568	\$ 41,417	\$ -	\$ -	\$ 334,985
Total Capital Assets Being Depreciated, Net	\$ 1,777,291	\$ (41,417)	\$ -	\$ -	\$ 1,735,874
Toal Capital Assets, Net	\$ 1,849,214	\$ 44,359	\$ -	\$ -	\$ 1,893,573

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

Intangible Assets for the year ended December 31, 2020:

Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	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.

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 7: LONG-TERM LIABILITIES**Primary Government**

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

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
General Obligation Bonds	\$ 6,750,000	\$ -	\$ 330,000	\$ 6,420,000	\$ 335,000
Bond Premium	77,881	-	4,740	73,141	4,740
Total Long-Term Debt	\$ 6,827,881	\$ -	\$ 334,740	\$ 6,493,141	\$ 339,740
Compensated Absences *	\$ 21,566	\$ 130	\$ -	\$ 21,696	\$ 2,170
Net Pension and OPEB Liability	1,077,241	1,564,397	-	2,641,638	-
Total Long-Term Liabilities	\$ 7,926,688	\$ 1,564,527	\$ 334,740	\$ 9,156,475	\$ 341,910

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

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, 2020:

PRIMARY GOVERNMENT			
Year Ending December 31	G.O. Bonds Payable		Bond Premium Premium
	Principal	Interest	
2021	\$ 335,000	\$ 182,105	\$ 4,740
2022	345,000	172,580	4,741
2023	350,000	163,505	4,740
2024	360,000	154,230	4,740
2025	370,000	143,980	4,740
2026-2030	2,015,000	557,100	23,702
2031-2035	1,990,000	245,844	21,220
2036-2040	655,000	21,531	4,518
Total	\$ 6,420,000	\$ 1,640,875	\$ 73,141

STEELE COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component UnitsSteele County Water Resource District

During the year ended December 31, 2020, the following changes occurred in governmental and enterprise long-term liabilities of the District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 676,204	\$ -	\$ 134,836	\$ 541,368	\$ 41,230
Loans Payable	29,944	-	5,158	24,786	5,515
Total Long-Term Debt	\$ 706,148	\$ -	\$ 139,994	\$ 566,154	\$ 46,745
Compensated Absences *	\$ 1,007	\$ 513	\$ -	\$ 1,520	\$ 152
Net Pension and OPEB Liability	39,492	66,192	-	105,684	-
Total Long-Term Liabilities	\$ 746,647	\$ 66,705	\$ 139,994	\$ 673,358	\$ 46,897

* 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, 2020 are as follows:

WATER RESOURCE DISTRICT				
Year Ending December 31	Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2021	\$ 41,230	\$ 19,228	\$ 5,515	\$ 1,403
2022	42,673	17,765	5,836	1,081
2023	44,167	16,250	6,177	741
2024	45,713	14,684	7,258	108
2025	47,313	13,060	-	-
2026-2030	262,595	38,916	-	-
2031-2035	57,677	1,909	-	-
Totals	\$ 541,368	\$ 121,812	\$ 24,786	\$ 3,333

Steele County Job Development Authority

During the year ended December 31, 2020, the following changes occurred in governmental and enterprise long-term liabilities of the Job Development Authority:

Job Development Authority	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 926	\$ -	\$ 926	\$ -	\$ -
Net Pension and OPEB Liability	48,025	-	22,992	25,033	-
Total Long-Term Liabilities	\$ 48,951	\$ -	\$ 23,918	\$ 25,033	\$ -

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

NOTE 8: PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

STEELE COUNTY

Notes to the Financial Statements – Continued

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

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

At December 31, 2020, the following net pension liabilities were reported:

	Net Pension Liability
Primary Government	\$ 2,575,012
Water Resource District	103,018
Job Development Authority	24,402

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

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 Measurement	Pension Expense
Primary Government	0.081850%	-0.004541%	\$ 461,362
Water Resource District	0.003275%	0.000107%	18,458
Job Development Authority	0.000776%	-0.003076%	4,372

STEELE COUNTY

Notes to the Financial Statements – Continued

At December 31, 2020, 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	\$ 10,021	\$ 130,478
Changes of Assumptions	1,380,369	228,209
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	83,109	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	33,364	124,909
District Contributions Subsequent to the Measurement Date	33,802	-
Total Primary Government	\$ 1,540,665	\$ 483,597

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 401	\$ 5,220
Changes of Assumptions	55,224	9,130
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	3,325	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,335	4,997
District Contributions Subsequent to the Measurement Date	1,352	-
Total Water Resource District	\$ 61,637	\$ 19,347

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 95	\$ 1,236
Changes of Assumptions	13,081	2,163
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	788	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	316	1,184
District Contributions Subsequent to the Measurement Date	320	-
Total Job Development Authority	\$ 14,600	\$ 4,583

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, 2021:

Primary Government	\$ 33,802
Water Resource District	1,352
Job Development Authority	320

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	Total
2021	\$ 313,304	\$ 12,534	\$ 2,969	\$ 328,807
2022	263,814	10,554	2,500	276,868
2023	203,799	8,153	1,931	213,884
2024	242,349	9,696	2,297	254,341

STEELE COUNTY

Notes to the Financial Statements – Continued

Actuarial Assumptions

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

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

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

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

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

Discount rate

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

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

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

STEELE COUNTY

Notes to the Financial Statements – Continued

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

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

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Primary Government	\$ 3,340,885	\$ 2,575,012	\$ 1,948,342
Water Resource District	133,658	103,018	77,947
Job Development Authority	31,660	24,402	18,463

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 9: OTHER POST EMPLOYMENT BENEFITS (OPEB)**General Information about the OPEB Plan****North Dakota Public Employees Retirement System**

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

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

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

OPEB Benefits

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

STEELE COUNTY

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2020, the following net OPEB liabilities were reported:

	Net OPEB Liability
Primary Government	\$ 66,626
Water Resource District	2,665
Job Development Authority	631

The net OPEB liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net 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, 2020, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 Measurement	OPEB Expense
Primary Government	0.076877%	(0.003849%)	\$ 9,260
Water Resource District	0.002818%	(0.000160%)	370
Job Development Authority	0.002818%	(0.000160%)	88

At December 31, 2020, 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	\$ 1,479	\$ 1,597
Changes of Assumptions	8,933	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2,292	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,554	5,446
District Contributions Subsequent to the Measurement Date	5,412	-
Total Primary Government	\$ 20,669	\$ 7,043

STEELE COUNTY

Notes to the Financial Statements – Continued

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 59	\$ 64
Changes of Assumptions	357	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	92	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	102	218
District Contributions Subsequent to the Measurement Date	217	-
Total Water Resource District	\$ 827	\$ 282

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	14	15
Changes of Assumptions	85	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	22	-
District Contributions Subsequent to the Measurement Date	24	52
District Contributions Subsequent to the Measurement Date	51	-
Total Job Development Authority	\$ 196	\$ 67

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, 2020:

Primary Government	\$ 5,412
Water Resource District	217
Job Development Authority	51

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	Total
2021	\$ 1,814	\$ 73	\$ 17	\$ 1,904
2022	2,407	96	23	2,526
2023	2,298	92	22	2,412
2024	1,631	65	15	1,712
2025	138	6	1	145
2026	(74)	(3)	(1)	(78)
2027 & Thereafter	-	-	-	-

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	Not applicable
Investment rate or return	6.50%, net of investment expenses
Cost of living adjustments	None

STEELE COUNTY

Notes to the Financial Statements – Continued

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. 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, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Primary Government	\$ 87,381	\$ 66,626	\$ 49,075
Water Resource District	3,496	2,665	1,963
Job Development Authority	828	631	465

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 10: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. 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 three million dollars per occurrence. Public assets (mobile equipment and portable property) coverage is limited to \$1,980,327.

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 11: JOINT VENTURES

Under authorization of state statutes, Steele County Water Resource District joined Southeast Cass Water Resource District, North Cass Water Resource District, Maple River Water Resource District, Rush River Water Resource District and the water resource districts of Richland County, Grand Forks County, Pembina County, Traill 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, 2019, which is the most current audited information available:

	Red River Joint WRD
Total Assets	\$ 13,450,277
Total Liabilities	73,258
Net Position	\$ 13,377,019
Revenues	\$ 2,570,262
Expenses	896,172
Change in Net Position	\$ 1,674,090

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.

STEELE COUNTY

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 778,170	\$ 778,170	\$ 779,769	\$ 1,599
Intergovernmental	250,000	250,000	735,756	485,756
Charges for services	228,661	228,661	224,038	(4,623)
Interest income	-	-	38,181	38,181
Miscellaneous	120,000	120,000	166,028	46,028
Total Revenues	\$ 1,376,831	\$ 1,376,831	\$ 1,943,772	\$ 566,941
EXPENDITURES				
Current				
General government	\$ 1,554,912	1,554,912	\$ 1,183,660	\$ 371,252
Public safety	298,035	298,035	260,479	37,556
Health and welfare	119,528	119,528	248,869	(129,341)
Culture and Recreation	104,150	104,150	46,106	58,044
Total Expenditures	\$ 2,076,625	\$ 2,076,625	\$ 1,739,114	\$ 337,511
Excess (Deficiency) of Revenues Over Expenditures	\$ (699,794)	\$ (699,794)	\$ 204,658	\$ 904,452
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 52,271	\$ 52,271
Transfers out	-	-	(52,271)	(52,271)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ (699,794)	\$ (699,794)	\$ 204,658	\$ 904,452
Fund Balances - January 1	\$ 847,823	\$ 847,823	\$ 847,823	\$ -
Fund Balances - December 31	\$ 148,029	\$ 148,029	\$ 1,052,481	\$ 904,452

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, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Property tax	\$ 848,312	\$ 848,312	\$ 824,813	\$ (23,499)
Sales tax	175,000	175,000	207,765	32,765
Intergovernmental	373,800	373,800	548,509	174,709
Charges for services	34,500	34,500	255,025	220,525
Miscellaneous	2,800	2,800	15,848	13,048
Total Revenues	1,434,412	1,434,412	1,851,960	417,548
EXPENDITURES				
Current				
General government	\$ 358,000	\$ 358,000	\$ 140,622	\$ (217,378)
Public safety	61,022	61,022	46,560	(14,462)
Highways and bridges	1,316,065	1,433,249	1,265,027	(168,222)
Flood repairs	-	140,981	155,316	14,335
Health and welfare	87,000	97,064	41,862	(55,202)
Emergency	-	19,828	19,828	-
Conserv. of natural resources	103,854	103,854	82,986	(20,868)
Total Expenditures	\$ 1,925,941	\$ 2,213,998	\$ 1,752,201	\$ (461,797)
Excess (Deficiency) of Revenues Over Expenditures	\$ (491,529)	\$ (779,586)	\$ 99,759	\$ (44,249)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 319,949	\$ 319,949
Transfers Out	-	-	(319,949)	(319,949)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ (491,529)	\$ (779,586)	\$ 99,759	\$ (44,249)
Fund Balances - January 1	\$ 3,152,359	\$ 3,152,359	\$ 3,152,359	\$ -
Fund Balances - December 31	\$ 2,660,830	\$ 2,372,773	\$ 3,252,118	\$ (44,249)

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, 2020

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

Primary Government	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.081850%	\$ 2,575,012	\$ 902,902	285.19%	48.91%
2019	0.086391%	1,012,559	898,608	112.68%	71.66%
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	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.003275%	\$ 103,018	\$ 36,122	285.19%	48.91%
2019	0.003167%	37,120	32,943	112.68%	71.66%
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	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.000776%	\$ 24,402	\$ 8,556	285.19%	48.91%
2019	0.003851%	45,141	40,061	112.68%	71.66%
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)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 63,933	\$ 70,288	\$ (6,355)	\$ 902,902	7.78%
2019	65,424	69,076	(3,652)	898,608	7.69%
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)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 2,558	\$ 2,812	\$ (254)	\$ 36,122	7.78%
2019	2,398	2,532	(134)	32,943	7.69%
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)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 606	\$ 666	\$ (60)	\$ 8,556	7.78%
2019	2,917	3,080	(163)	40,061	7.69%
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, 2020

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

Primary Government	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.076877%	\$ 66,626	\$ 902,902	7.38%	63.38%
2019	0.080727%	64,681	898,608	7.20%	63.13%
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	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.002818%	\$ 2,665	\$ 36,122	7.38%	63.38%
2019	0.002978%	2,371	32,943	7.20%	63.13%
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	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.002818%	\$ 631	\$ 8,556	7.38%	63.38%
2019	0.002978%	2,884	40,061	7.20%	63.13%
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)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 10,607	\$ 11,249	\$ (642)	\$ 902,902	1.25%
2019	10,451	11,054	(603)	898,608	1.23%
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)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 424	\$ 450	\$ (26)	\$ 36,122	1.25%
2019	383	405	(22)	32,943	1.23%
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)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 101	\$ 107	\$ (6)	\$ 8,556	1.25%
2019	466	493	(27)	40,061	1.23%
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, 2020

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: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of County commissioners amended the County budget for 2020 as follows:

Fund	Original Budget	Amendment	Amended Budget
EXPENDITURES			
Special Revenue Fund	1,925,941	288,057	2,213,998

NOTE 3 CHANGES OF BENEFIT TERMS

Pension

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

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

NOTE 4 CHANGES OF ASSUMPTIONS**Pension**

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

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

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

OPEB

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

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

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

NOTE 5 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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 aggregate 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, 2020, and the related notes to the financial statements, which collectively comprise Steele County's basic financial statements, and have issued our report thereon dated April 14, 2021.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *schedule of audit findings*, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2020-001, 2020-002, 2020-003, 2020-004 and 2020-005 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 *schedule of audit findings* as item 2020-004.

Steele County's Response to Findings

Steele County's response to the findings identified in our audit is described in the accompanying *schedule of audit 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

Bismarck, North Dakota
April 14, 2021

Summary of Auditor's Results

For the Year Ended December 31, 2020

Type of Report Issued:

Unmodified

Unmodified

Unmodified

Unmodified

Material weaknesses identified?

 X Yes None Noted

 Yes X None Noted

 X Yes None Noted

STEELE COUNTY

Schedule of Audit Findings

For the Year Ended December 31, 2020

2020-001 – FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

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

Criteria

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

Cause

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

Effect

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

Prior Recommendation

Yes.

Recommendation

We recommend Steele County consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

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 COUNTYSchedule of Audit Findings – Continued

2020-002 – COUNTY BUDGET - MATERIAL WEAKNESS**Condition**

Steele County's Farm to Market and 5-Mill County Road Fund Budgets were not prepared in accordance with N.D.C.C §11-23-02.

Criteria

N.D.C.C. §11-23-02 states, the county auditor shall prepare an annual budget for the general fund, each special revenue fund, and each debt service fund of the county in the form prescribed by the state auditor. The budget must set forth specifically:

1. The detailed breakdown of the estimated revenues and appropriations requested for each fund for the ensuing year.
2. The detailed breakdown of the revenues and expenditures for each fund for the preceding year.
3. The detailed breakdown of estimated revenues and expenditures for each fund for the current year.
4. The transfers in or out for each fund for the preceding year and the estimated transfers in or out for the current year and the ensuing year.
5. The beginning and ending balance of each fund or estimates of the balances for the preceding year, current year, and ensuing year.
6. The tax levy request for any funds levying taxes for the ensuing year.
7. The certificate of levy showing the amount levied for each fund and the total amount levied.
8. The budget must be prepared on the same basis of accounting used by the county for its annual financial reports.
9. The amount of cash reserve for the general fund and each special revenue fund, not to exceed seventy-five percent of the appropriation for the fund.

Cause

Steele County elected to levy the maximum mill rate for the Farm to Market and 5-Mill County Road Funds without determining if the maximum mills were necessary through preparation of the budget in accordance with N.D.C.C §11-23-02.

Effect

The amount of levy required for the Farm to Market and 5-Mill County Road Fund is not appropriately calculated, thus increasing the probability of error.

Prior Recommendation

No.

Recommendation

We recommend that Steele County prepare all general fund, special revenue fund, and debt service fund budgets in accordance with N.D.C.C. §11-23-002 and resolve any current circumstances if deemed appropriate by management.

Steele County's Response

Agree. We will attempt to prepare the budgets going forward in the format prescribed by the State Auditor's Office.

2020-003 – ADJUSTING JOURNAL ENTRIES – REVENUE MISCLASSIFICATION – MATERIAL WEAKNESS

Condition

Steele County recorded \$384,168 of Cares Funding/Coronavirus Funding reimbursements as sheriff fees and nursing reimbursements during the year instead of as Intergovernmental Revenue.

Criteria

Steele County is responsible for ensuring its annual financial statements, including revenues and other financing sources, are reliable, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

Cause

Steele County, at times, may be unaware of how transactions should be classified.

Effect

The financial statements would have been materially misstated if they were not corrected with audit adjustments.

Prior Recommendation

No.

Recommendation

We recommend that Steele County review all revenues carefully to ensure the appropriate classification and presentation in the financial statements, in accordance with GAAP.

Steele County's Response

Agree. We will continue to try to identify all items in need of adjustment at year end to comply with GAAP.

STEELE COUNTYSchedule of Audit Findings – Continued

2020-004 – BOND COVENANT – MATERIAL WEAKNESS & MATERIAL NON-COMPLIANCE**Condition**

Steele County did not create a separate bond fund to receive property tax revenue and make disbursements for principle and interest related to the General Obligation Refunding Federal Highway Bonds, Series 2019.

Criteria

The bond agreement states "There is hereby created the Issuer's General Obligation Refunding Federal Highway Bonds, Series 2019 Bond Fund (the "Bond Fund") which shall be maintained by the County Auditor as a separate and special fund for the sole purpose of payment of principal and interest on any outstanding Bonds and shall be maintained until all balances of principal and interest on the Bonds are fully paid...All taxes levied and collected for the payment of the Refunded Bonds, shall be credited to the Bond Fund and shall be used and applied in payment of the principal and interest on the Bonds as such principal and interest becomes due."

Cause

Steele County's software does not have the capability of splitting out the general obligation levy collections into two separate funds. Thus, management has elected to record the collections in one bond fund.

Effect

Steele County may be in violation of covenants of the General Obligation Highway Bonds, Series 2019 bond agreement.

Prior Recommendation

Yes.

Recommendation

We recommend Steele County create a separate bond fund for the collection of tax revenue and disbursement of principle and interest payments. We further recommend that the Steele County review the current bond agreements to ensure compliance with all bond covenants.

Steele County's Response

Agree. Currently we have all the property taxes going into one of the debt service funds and we have the debt payments coming out of each debt service fund. Starting in 2021, we created a transfer to remedy this issue going forward.

2020-005 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS**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

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

Prior Recommendation

Yes.

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.

STATE AUDITOR
Joshua C. Gallion



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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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Steele County, North Dakota, for the year ended December 31, 2020 which collectively comprise Steele County's basic financial statements, and have issued our report thereon dated April 14, 2021. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated February 10, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us. 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, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

STEELE COUNTY

Governance Communication – Continued

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.

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

2020 Adjustments	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
<u>COUNTY - PRIMARY GOVERNMENT</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
Governmental Fund Adjustments						
<u>To record client provided adjustments</u>						
Accounts Receivable	5,349	-	-	-	5,349	-
Intergovernmental Receivable	96,448	-	-	-	96,448	-
Expenditures	71,375	-	-	-	71,375	-
Revenue	-	101,797	-	-	-	101,797
Salaries Payable	-	9,923	-	-	-	9,923
Accounts Payable	-	61,452	-	-	-	61,452
<u>To record grants received in advance</u>						
Revenue	-	-	2,055	-	2,055	-
Grants Received in Advance	-	-	-	2,055	-	2,055
Water Resource District						
<u>To record retainage payable</u>						
Expenditure	-	-	4,666	-	4,666	-
Retainage Payable	-	-	-	4,666	-	4,666
<u>To record audit adjustments</u>						
Intergovernmental Receivable	-	-	15,800	-	15,800	-
Expenditures	-	-	26,651	-	26,651	-
Revenue	-	-	-	15,800	-	15,800
Accounts Payable	-	-	-	26,651	-	26,651

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 April 14, 2021.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

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

Bismarck, North Dakota
April 14, 2021



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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