



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, 2022

Client Code: PS46000



Photo credit: North Dakota Tourism



Office of the
State Auditor

STEELE COUNTY

Table of Contents

For the Years Ended December 31, 2022

County Officials	1
Independent Auditor's Report	2
Basic Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Balance Sheet - Governmental Funds.....	7
Reconciliation of Governmental Funds Balance Sheets to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	10
Statement of Fiduciary Net Position – Fiduciary Funds.....	11
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	12
Notes to the Financial Statements.....	13
Required Supplementary Information	
Budgetary Comparison Schedules	31
Schedule of Employer's Share of Net Pension Liability and Employer Contributions	33
Schedule of Employer's Share of Net OPEB Liability and Employer Contributions	35
Notes to the Required Supplementary Information	37
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	39
Summary of Auditor's Results.....	41
Schedule of Audit Findings	42

STEELE COUNTY

County Officials
December 31, 2022

COUNTY OFFICIALS

At December 31, 2022

Chairman	Richard Strand
Vice Chairman	Brandon Krueger
Commissioner	Donald Huso
Commissioner	Brandon Oxtan
Commissioner	Perry Brown
County Auditor	Emily Wigen
County Treasurer	Kari Dekker
County Recorder	Sandy Kjorven
Sheriff	Wayne Beckman
State's Attorney	Charles Stock
Water Resource Secretary- Treasurer	LaTasha Krueger

STATE AUDITOR
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Steele County
Finley, North Dakota

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County, North Dakota, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, Steele County adopted new accounting guidance GASB Statement No. 87, Lease Accounting. Our opinion is not modified with respect to this matter.

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

Responsibilities of Management for the Financial Statements

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

STEELE COUNTY

Independent Auditor's Report – Continued

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

STEELE COUNTY

Independent Auditor's Report – Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Steele County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Steele County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 16, 2024

STEELE COUNTY
Statement of Net Position
December 31, 2022

	Primary	Component Units	
	Government	Water	Job
	Governmental	Resource	Development
	Activities	District	Authority
ASSETS			
Cash, cash equivalents, and investments	\$ 6,477,037	\$ 141,952	\$ 309,716
Intergovernmental receivable	87,847	26,767	-
Accounts receivable	-	344	-
Road receivable	19,579	-	-
Taxes receivable	44,577	1,819	1,453
Lease Receivable	84,505	-	-
Special Assessment Receivable	-	672,525	-
Intangible assets	-	105,700	-
Capital assets			
Nondepreciable	2,074,175	886,533	-
Depreciable, net	14,331,851	2,408,151	-
Total Assets	\$ 23,119,571	\$ 4,243,791	\$ 311,169
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 1,527,746	\$ 75,978	\$ -
LIABILITIES			
Accounts payable	\$ 241,853	\$ 150,283	\$ 3,061
Salaries and benefits payable	16,684	56	-
Grants received in advance	351,652	-	-
Retainage payable	7,505	10,371	-
Interest payable	49,343	15,083	-
Long-Term Liabilities			
Due within one year			
Long-term debt	354,740	577,344	-
Compensated absences	3,223	311	-
Due after one year			
Long-term debt	5,448,920	585,576	-
Compensated absences	29,003	2,797	-
Net pension and OPEB liability	2,330,236	115,887	-
Total Liabilities	\$ 8,833,159	\$ 1,457,708	\$ 3,061
DEFERRED INFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 998,803	\$ 49,672	\$ -
Lease Receivable	84,505	-	-
Taxes received in advance	800,452	-	-
Total Deferred Inflows of Resources	\$ 1,883,760	\$ 49,672	\$ -
NET POSITION			
Net investment in capital assets	\$ 10,553,023	\$ 2,106,310	\$ -
Restricted			
Debt service	404,246	-	-
Public safety	-	-	-
Highways and bridges	1,760,436	-	-
Health and welfare	-	-	-
Capital Projects	208,751	-	-
Culture and recreation	21,536	-	-
Conservation of natural resources	153,924	706,079	-
Emergencies	187,846	-	-
Flood repairs	-	-	-
General government	394,412	-	-
Economic development	-	-	308,108
Unrestricted	246,224	-	-
Total Net Position	\$ 13,930,398	\$ 2,812,389	\$ 308,108

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

STEELE COUNTY

Statement of Activities

For the Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Job Development Authority
Primary Government							
General government	\$ 1,381,571	\$ 37,549	\$ 1	\$ -	\$ (1,344,021)		
Public safety	582,902	107,067	121,082	-	(354,753)		
Highways and bridges	2,152,045	258,283	1,313,513	1,724,137	1,143,888		
Flood repairs	5,115	-	-	-	(5,115)		
Health and welfare	310,326	141,287	-	-	(169,039)		
Culture and recreation	114,365	-	11,694	-	(102,671)		
Conservation of natural resources	130,734	1,829	5,000	-	(123,905)		
Emergency	128,226	-	-	-	(128,226)		
Interest & Fees	167,503	-	-	-	(167,503)		
Total Governmental Activities	\$ 4,972,787	\$ 546,015	\$ 1,451,290	\$ 1,724,137	\$ (1,251,345)		
Component Units							
Water Resource District	\$ 796,810	\$ -	\$ 89,990	\$ 207,547		\$ (499,273)	\$ -
Job Development Authority	109,219	-	-	-		-	(109,219)
Total Component Units	\$ 906,029	\$ -	\$ 89,990	\$ 207,547		\$ (499,273)	\$ (109,219)
General Revenues							
Property taxes					\$ 2,360,649	\$ 238,254	\$ 82,528
Sales taxes					235,239	-	-
Unrestricted grants and contributions					367,807	5,499	-
Gain on Sale of Assets					18,000	-	-
Unrestricted investment earnings					12,246	20	226
Miscellaneous revenue					233,784	28,253	41,546
Total General Revenues					\$ 3,227,725	\$ 272,026	\$ 124,300
Change in Net Position					\$ 1,976,380	\$ (227,247)	\$ 15,081
Net Position - January 1					\$ 11,953,217	\$ 2,525,366	\$ 293,027
Prior Period Adjustment					\$ 801	\$ 514,270	\$ -
Net Position - January 1, as restated					\$ 11,954,018	\$ 3,039,636	\$ 293,027
Net Position - December 31					\$ 13,930,398	\$ 2,812,389	\$ 308,108

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

STEELE COUNTY

Balance Sheet – Governmental Funds
December 31, 2022

	Major Funds				Total Governmental Funds
	General	Special Revenue	Debt Service	Capital Project	
ASSETS					
Cash, cash equivalents, and investments	\$ 1,147,787	\$ 4,594,614	\$ 525,885	\$ 208,751	\$ 6,477,037
Intergovernmental receivable	40,830	47,017	-	-	87,847
Lease Receivable	84,505	-	-	-	84,505
Road receivable	-	19,579	-	-	19,579
Taxes receivable	20,643	16,958	6,976	-	44,577
Total Assets and Deferred Outflows of Resources	\$ 1,293,765	\$ 4,678,168	\$ 532,861	\$ 208,751	\$ 6,713,545
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 129,112	\$ 112,741	\$ -	\$ -	\$ 241,853
Salaries payable	-	16,684	-	-	16,684
Retainage payable	-	7,505	-	-	7,505
Grants received in advance	-	351,652	-	-	351,652
Total Liabilities	\$ 129,112	\$ 488,582	\$ -	\$ -	\$ 617,694
Deferred Inflows of Resources					
Taxes received in advance	\$ 417,921	\$ 253,916	\$ 128,615	\$ -	\$ 800,452
Lease Receivable	84,505	-	-	-	84,505
Road receivable	-	19,579	-	-	19,579
Taxes receivable	20,643	16,958	6,976	-	44,577
Total Liabilities and Deferred Inflows of Resources	\$ 652,181	\$ 779,035	\$ 135,591	\$ -	\$ 1,566,807
Fund Balances					
Restricted					
Public safety	\$ -	\$ 105,266	\$ -	\$ -	\$ 105,266
Highways and bridges	-	2,382,145	-	-	2,382,145
Health and welfare	-	10,589	-	-	10,589
Capital projects	-	-	-	208,751	208,751
Culture and recreation	-	50,838	-	-	50,838
Conservation of natural resources	-	166,055	-	-	166,055
Emergencies	-	187,846	-	-	187,846
General government	-	996,394	-	-	996,394
Debt service	-	-	397,270	-	397,270
Unassigned	641,584	-	-	-	641,584
Total Fund Balances	\$ 641,584	\$ 3,899,133	\$ 397,270	\$ 208,751	\$ 5,146,738
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,293,765	\$ 4,678,168	\$ 532,861	\$ 208,751	\$ 6,713,545

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, 2022

Total Fund Balances of Governmental Funds		\$ 5,146,738
Total <i>net position</i> reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		16,406,026
Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.		
Road Receivables	\$ 19,579	
Taxes receivable	<u>44,577</u>	64,156
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	\$ 1,527,746	
Deferred inflows related to pensions and OPEB	<u>(998,803)</u>	528,943
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	\$ (5,803,660)	
Interest payable	(49,343)	
Compensated absences payable	(32,226)	
Net pension and OPEB liability	<u>(2,330,236)</u>	<u>(8,215,465)</u>
Total Net Position of Governmental Activities		<u>\$ 13,930,398</u>

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

STEELE COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended December 31, 2022

	Major Funds				Capital Project	Total Governmental Funds
	General	Special Revenue	Debt Service			
REVENUES						
Property tax	\$ 1,202,989	\$ 862,334	\$ 293,955	\$ -	\$ -	\$ 2,359,278
Sales tax	-	235,239	-	-	-	235,239
Intergovernmental	307,221	1,492,301	1,524	-	-	1,801,046
Charges for services	262,727	281,758	-	-	-	544,485
Interest income	12,246	-	-	-	-	12,246
Miscellaneous	222,812	10,974	-	-	-	233,786
Total Revenues	\$ 2,007,995	\$ 2,882,606	\$ 295,479	\$ -	\$ -	\$ 5,186,080
EXPENDITURES						
Current						
General government	\$ 1,271,355	\$ 27,882	\$ -	\$ -	\$ -	\$ 1,299,237
Public safety	486,848	40,239	-	-	-	527,087
Highways and bridges	-	1,992,473	-	-	-	1,992,473
Flood repairs	-	5,115	-	-	-	5,115
Health and welfare	188,085	83,696	-	-	-	271,781
Culture and recreation	104,151	-	-	-	-	104,151
Conservation of natural resources	62,362	67,090	-	-	-	129,452
Emergency	-	128,226	-	-	-	128,226
Debt Service						
Principal	-	-	345,000	-	-	345,000
Interest	-	-	172,579	-	-	172,579
Fees	-	-	2,290	-	-	2,290
Total Expenditures	\$ 2,112,801	\$ 2,344,721	\$ 519,869	\$ -	\$ -	\$ 4,977,391
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (104,806)	\$ 537,885	\$ (224,390)	\$ -	\$ -	\$ 208,689
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 73,147	\$ 99	\$ -	\$ -	\$ -	\$ 73,246
Transfers out	(73,147)	(99)	-	-	-	(73,246)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ (104,806)	\$ 537,885	\$ (224,390)	\$ -	\$ -	\$ 208,689
Fund Balances - January 1	\$ 745,589	\$ 3,361,248	\$ 621,660	\$ 208,751	\$ -	\$ 4,937,248
Fund Reclassification	\$ 801	\$ -	\$ -	\$ -	\$ -	\$ 801
Fund Balance - Jan. 1, as restated	\$ 746,390	\$ 3,361,248	\$ 621,660	\$ 208,751	\$ -	\$ 4,938,049
Fund Balances - December 31	\$ 641,584	\$ 3,899,133	\$ 397,270	\$ 208,751	\$ -	\$ 5,146,738

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 – Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 208,689

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	\$ 409,879	
Capital contribution	1,724,137	
Depreciation expense	<u>(588,591)</u>	1,545,425

In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

Gain on Sale of Capital Assets		18,000
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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	\$ 4,741	
Repayment of debt	<u>345,000</u>	349,741

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

Net Change in Interest Payable	\$ 2,625	
Net Change in Compensated Absences	<u>(3,117)</u>	(492)

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

Net Change in Taxes Receivable	\$ 1,371	
Net Change in Road Receivable	<u>19,579</u>	20,950

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

Net Change in Net Pension & OPEB Liability	\$ (1,417,899)	
Net Change in Deferred Outflows of Resources	471,727	
Net Change in Deferred Inflows of Resources	<u>780,239</u>	<u>(165,933)</u>

Change in Net Position of Governmental Activities \$ 1,976,380

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

STEELE COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds
For the Year Ended December 31, 2022

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 1,694,847
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 47,071
Total Liabilities	\$ 47,071
Deferred Inflows of Resources	
Taxes Received in Advance	\$ 1,640,486
Total Liabilities and Deferred Inflows of Resources	\$ 1,687,557
Total Net Position	\$ 7,290

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

STEELE COUNTY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2022

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 7,280,563
Grant Collections for Other Governments	561,988
Miscellaneous Collections	<u>1,315</u>
Total Additions	<u>\$ 7,843,866</u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 7,273,273
Grant Disbursements to Other Governments	561,988
Miscellaneous Disbursements	<u>1,315</u>
Total Deductions	<u>\$ 7,836,576</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ 7,290</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ 7,290</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, 2022

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 as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the County. The County has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the County are such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the County.

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

Component Units

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

Discretely Presented Component Units: The component unit columns in the government wide financial statements include the financial data of the County's one component unit. This component unit is reported in a separate column to emphasize that it is legally separate from the County.

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.

Component Unit Financial Statements: The financial statements of the discretely presented component unit are presented in the basic financial statements. Complete financial statements of the individual component units can be obtained from the County Auditor (Office of Finance and Administration), Steele County, (201 Washington Ave W PO Box 275 Finley, ND 58230).

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

STEELE COUNTY

Notes to the Financial Statements – Continued

paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

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

The County reports the following major governmental funds:

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

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

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

Additionally, the County reports the following fund type:

Custodial Funds. These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's fiduciary funds are 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

STEELE COUNTY

Notes to the Financial Statements – Continued

The investments of the County consist of certificates of deposit stated at cost with maturities in excess of three months as well as municipal bonds that are recorded at fair market value.

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	County	Water Resource District
Buildings	40	-
Machinery and Equipment	5-15	-
Infrastructure	40	50
Vehicles	3-5	-
Office Equipment	3-5	-
Easements	-	Indefinite

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.

Lease Receivable

The County is a lessor for numerous noncancellable leases. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the County measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgments include how the County determines (1) the discount rate, (2) lease term, and (3) lease receipts. The County determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

Long-Term Obligations

STEELE COUNTY

Notes to the Financial Statements – Continued

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

Pension

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

Minimum Fund Balance Policy. The County 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.

STEELE COUNTY

Notes to the Financial Statements – Continued

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

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

Change in Accounting Principle

The County implemented GASB Statement No. 87, Leases in the year ended December 31, 2022. GASB Statement No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. The adoption of GASB 87 resulted in the recognition of lease receivables and deferred inflow of resources of \$113,957 as of January 1, 2022. This resulted in a net change of zero dollars to fund balance and net position at of January 1, 2022. See Note 13 for expanded disclosures regarding the County’s leases.

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Net Position/Fund Balance of the County and the Water Resource District as of January 1, 2022 has been restated for adjustments to fund classifications as shown below. The results of the adjustments increased Net Position/Fund Balance for the County and increased the Net Position of the Water Resource District.

Primary Government	Government Wide Amounts	General Fund
Beginning Net Position, as previously reported	\$ 11,953,217	\$ 745,589
Adjustments to restate the January 1, 2022 Net Position:		
Fund Reclassification	801	801
Net Position January 1, as restated	\$ 11,954,018	\$ 746,390

Water Resource District	Amounts
Beginning Net Position, as previously reported	\$ 2,525,366
Adjustments to restate the January 1, 2022 Net Position:	
Special Assessment Adjustment	514,270
Net Position January 1, as restated	\$ 3,039,636

NOTE 3 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution’s failure, the County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

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

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

At year ended December 31, 2022, the County’s carrying amount of deposits totaled \$8,169,055 and the bank balances

STEELE COUNTY

Notes to the Financial Statements – Continued

totalled \$8,267,002. 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, 2022, the Water Resource District's carrying amount of deposits totaled \$141,994, and the bank balances totaled \$252,762. Of the bank balances, \$252,762 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2022, the Job Development Authority's carrying amount of deposits totaled \$309,716, and the bank balances totaled \$315,102. Of the bank balances, \$315,102 was covered by Federal Depository Insurance.

NOTE 4 PROPERTY TAXES

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

NOTE 5 CAPITAL ASSETS**Primary Government**

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

Primary Government	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated					
Land	\$ 5,425	\$ -	\$ -	\$ -	\$ 5,425
Construction in Progress	-	2,068,751	-	-	2,068,751
Total Capital Assets, Not Being Depreciated	\$ 5,425	\$ 2,068,751	\$ -	\$ -	\$ 2,074,176
Capital assets, being depreciated					
Office Equipment	\$ 43,540	\$ -	\$ -	\$ -	\$ 43,540
Vehicles	670,466	-	-	-	670,466
Machinery & Equipment	1,955,762	83,265	-	-	2,039,027
Buildings	944,899	-	-	-	944,899
Infrastructure	15,516,298	-	-	-	15,516,298
Total Capital Assets, Being Depreciated	\$ 19,130,965	\$ 83,265	\$ -	\$ -	\$ 19,214,230
Less accumulated depreciation for					
Office Equipment	\$ 43,539	\$ -	\$ -	\$ -	\$ 43,539
Vehicles	461,791	58,103	-	-	519,894
Machinery & Equipment	1,260,199	124,395	-	-	1,384,594
Buildings	481,678	18,186	-	-	499,864
Infrastructure	2,046,582	387,907	-	-	2,434,489
Total Accumulated Depreciation	\$ 4,293,789	\$ 588,591	\$ -	\$ -	\$ 4,882,380
Total Capital Assets Being Depreciated, Net	\$ 14,837,176	\$ (505,326)	\$ -	\$ -	\$ 14,331,850
Total Capital Assets, Net	\$ 14,842,601	\$ 1,563,425	\$ -	\$ -	\$ 16,406,026

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

STEELE COUNTY

Notes to the Financial Statements – Continued

General Government	\$ 18,521
Highways and Bridges	512,855
Public Safety	32,966
Culture and Recreation	7,515
Health & Welfare	16,734
Total Depreciation Expense	\$ 588,591

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

Water Resource District	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated					
Land	\$ 71,923	\$ -	\$ -	\$ -	\$ 71,923
Construction in Progress	729,552	700,727	-	(615,668)	814,611
Total Capital Assets, Not Being Depreciated	\$ 801,475	\$ 700,727	\$ -	\$ (615,668)	\$ 886,534
Capital assets, being depreciated					
Infrastructure	\$ 2,228,938	\$ -	\$ -	\$ 615,668	\$ 2,844,606
Less accumulated depreciation for Infrastructure	\$ 379,564	\$ 56,892	\$ -	\$ -	\$ 436,456
Total Capital Assets Being Depreciated, Net	\$ 1,849,374	\$ (56,892)	\$ -	\$ 615,668	\$ 2,408,150
Total Capital Assets, Net	\$ 2,650,849	\$ 643,835	\$ -	\$ -	\$ 3,294,684

Depreciation of \$56,892 was charged to conservation of natural resources function.

Intangible Assets for the year ended December 31, 2022:

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.

NOTE 6 LONG-TERM LIABILITIES

Primary Government

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

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
General Obligation Bonds	\$ 6,085,000	\$ -	\$ 345,000	\$ 5,740,000	\$ 350,000
Bond Premium	68,400	-	4,740	63,660	4,740
Total Long-Term Debt	\$ 6,153,400	\$ -	\$ 349,740	\$ 5,803,660	\$ 354,740
Compensated Absences	\$ 29,109	\$ 49,024	\$ 45,907	\$ 32,226	\$ 3,223
Net Pension and OPEB Liability	912,337	1,417,899	-	2,330,236	-
Total Long-Term Liabilities	\$ 7,094,846	\$ 1,466,923	\$ 395,647	\$ 8,166,122	\$ 357,963

STEELE COUNTY

Notes to the Financial Statements – Continued

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

PRIMARY GOVERNMENT			
Year Ending December 31	G.O. Bonds Payable		Bond Premium
	Principal	Interest	Premium
2023	\$ 350,000	\$ 163,505	\$ 4,740
2024	360,000	154,230	4,740
2025	370,000	143,980	4,740
2026	375,000	133,058	4,740
2027	395,000	122,780	4,740
2028-2032	2,150,000	435,062	23,702
2033-2037	1,740,000	133,575	16,258
2038-2042	-	-	-
Total	\$ 5,740,000	\$ 1,286,190	\$ 63,660

Discretely Presented Component Unit

During the year ended December 31, 2022, the following changes occurred in governmental long-term liabilities of the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 705,138	\$ 507,000	\$ 62,673	\$ 1,149,465	\$ 571,167
Loans Payable	19,272	-	5,817	13,455	6,177
Total Long-Term Debt	\$ 724,410	\$ 507,000	\$ 68,490	\$ 1,162,920	\$ 577,344
Compensated Absences	\$ 3,056	\$ 3,417	\$ 3,365	\$ 3,108	\$ 311
Net Pension and OPEB Liability	33,736	82,151	-	115,887	-
Total Long-Term Liabilities	\$ 761,202	\$ 592,568	\$ 71,855	\$ 1,281,915	\$ 577,655

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

WATER RESOURCE DISTRICT				
Year Ending December 31	Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2023	\$ 571,167	\$ 19,566	\$ 6,176	\$ 741
2024	65,713	15,771	7,279	45
2025	67,313	14,146	-	-
2026	68,969	12,468	-	-
2027	70,683	10,730	-	-
2028-2032	305,620	23,162	-	-
2033-2037	-	-	-	-
Totals	\$ 1,149,465	\$ 95,843	\$ 13,455	\$ 786

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 7: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

STEELE COUNTY

Notes to the Financial Statements – Continued

as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

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

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

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

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

At December 31, 2022, the following net pension liabilities were reported:

	Net Pension Liability
Primary Government	\$ 2,235,941
Water Resource District	111,198
Job Development Authority	-

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. The entities had the following proportions and change in proportions at June 30, 2022 and reported the following pension expense for the year ended December 31, 2022:

	Proportion	Increase (Decrease) in Proportion from June 30, 2021 Measurement	Pension Expense
Primary Government	0.077635%	-0.005808%	\$ 255,521
Water Resource District	0.003861%	0.000775%	12,708
Job Development Authority	0.000000%	0.000000%	-

STEELE COUNTY

Notes to the Financial Statements – Continued

At December 31, 2022, 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	\$ 11,663	\$ 42,710
Changes of Assumptions	1,337,126	828,944
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	81,835	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	11,557	121,596
District Contributions Subsequent to the Measurement Date	37,869	-
Total Primary Government	\$ 1,480,050	\$ 993,250

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 580	\$ 2,124
Changes of Assumptions	66,498	41,225
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,070	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	575	6,047
District Contributions Subsequent to the Measurement Date	1,883	-
Total Water Resource District	\$ 73,606	\$ 49,396

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
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	-	-
District Contributions Subsequent to the Measurement Date	-	-
Total Job Development Authority	\$ -	\$ -

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, 2022:

Primary Government	\$ 37,869
Water Resource District	1,883
Job Development Authority	-

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
2023	\$ 112,112	\$ 5,576	\$ -	\$ 117,688
2024	149,141	7,417	-	156,558
2025	(8,178)	(407)	-	(8,585)
2026	195,857	9,740	-	205,597

STEELE COUNTY

Notes to the Financial Statements – Continued

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	3.5% to 17.75% including inflation
Investment Rate of Return	6.50%, Net of Investment Expenses
Cost-of-Living Adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed Income	23%	0.34%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.35%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

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

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 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
Primary Government	\$ 2,951,289	\$ 2,235,941	\$ 1,648,666
Water Resource District	146,773	111,198	81,991
Job Development Authority	-	-	-

Pension Plan Fiduciary Net Position

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

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an 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, 2022, the following net OPEB liabilities were reported:

	Net OPEB Liability
Primary Government	\$ 94,295
Water Resource District	4,689
Job Development Authority	-

The net OPEB liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. The entities had the following proportions and change in proportions at June 30, 2022 and reported the following OPEB expense for the year ended December 31, 2022:

	Proportion	Increase (Decrease) in Proportion from June 30, 2021 Measurement	OPEB Expense
Primary Government	0.079521%	0.003829%	\$ 15,185
Water Resource District	0.002944%	(0.000084%)	755
Job Development Authority	0.002944%	(0.000084%)	-

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Differences Between Expected and Actual Experience	\$ 2,235	\$ 811
Changes of Assumptions	23,752	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	12,697	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,949	4,742
District Contributions Subsequent to the Measurement Date	6,063	-
Total Primary Government	\$ 47,696	\$ 5,553

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	\$ 111	\$ 40
Changes of Assumptions	1,181	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	631	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	147	236
District Contributions Subsequent to the Measurement Date	302	-
Total Water Resource District	\$ 2,372	\$ 276

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
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	-	-
District Contributions Subsequent to the Measurement Date	-	-
Total Job Development Authority	\$ -	\$ -

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, 2022:

Primary Government	\$ 6,063
Water Resource District	302
Job Development Authority	-

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

2023	\$ 9,843
2024	9,148
2025	7,592
2026	11,291

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	Not applicable
Investment rate or return	5.75%, net of investment expenses
Cost of living adjustments	None

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

STEELE COUNTY

Notes to the Financial Statements – Continued

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2022 are summarized in the following table:

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

Discount Rate

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

Sensitivity of the 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, 2022, calculated using the discount rate of 5.39%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Primary Government	\$ 120,361	\$ 94,295	\$ 72,412
Water Resource District	5,986	4,689	3,601
Job Development Authority	-	-	-

NOTE 10 TRANSFERS

The following table shows amounts reported for transfers in and transfers out as reported in the basic financial statements in the governmental funds for the year ended December 31, 2022:

	Transfers In	Transfers Out
General Fund	\$ 73,147	\$ 73,147
Special Revenue Fund		
County Agent Special Fund	99	-
County Agent	-	99
Total Transfers	\$ 73,246	\$ 73,246

Transfers are used to move unrestricted general revenue to finance programs that the County accounts for in other funds in accordance with budget authority and to subsidize other programs.

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 11 RISK MANAGEMENT

The County is exposed to various risks of loss related 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 joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDRIF is limited to losses of four million dollars per occurrence for general liability, four million for automobile, and \$2,125,988 for public assets/mobile equipment and portable property.

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 two 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.

NOTE 12 CONSTRUCTION COMMITMENTS

The County had open constructions commitment as of December 31, 2022 as follows:

Project	Contract	Completed	Retainage	Balance
SC-CVD-4616(055) - HMA Overlay	\$ 455,747	\$ 387,006	\$ 7,505	\$ 76,246
BRP-4600(002) - Structure Replacement	18,792	-	-	18,792
Total	\$ 474,539	\$ 387,006	\$ 7,505	\$ 95,038

The water resource district had open construction commitments as of December 31, 2022 as follows:

Project	Contract	Completed	Retainage	Balance
Drain 1 Lateral A	\$ 207,418	\$ 206,776	\$ 10,371	\$ 11,013

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 13 LEASES RECEIVABLE

The County entered into 15-year leases with lessee for property at the Golden Lake Campground. The County receives annual payments of \$850 in 2022 from each lessee and will receive annual payments that are to be determined in conjunction with the County board of commissioners and North Dakota Game and Fish. The leases are calculated using an incremental borrowing rate the county would receive in 2022 for a 15-year loan of 3.99% per annum. The county recognized a lease receivable of \$84,505 and \$34,000 in lease revenue. As of December 31, 2022, the County’s lease receivable was \$84,505 and deferred inflows of resources \$84,505.

The future principal and interest lease receipts as of December 31,2022, were as follows:

Governmental Activities			
Year Ending December 31	Principal	Interest	Total
2023	\$ 30,623	\$ 3,377	\$ 34,000
2024	18,250	2,150	20,400
2025	15,577	1,423	17,000
2026	11,947	803	12,750
2027	6,474	326	6,800
2028-2032	1,634	66	1,700
Total	\$ 84,505	\$ 8,145	\$ 92,650

NOTE 14 JOINT VENTURES

Red River Joint Water Resource District

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, 2023, which is the most current audited information available:

	Red River Joint WRD
Total Assets	\$ 20,817,974
Total Liabilities	79,012
Net Position	\$ 20,738,962
Revenues	\$ 3,296,645
Expenses	1,177,517
Change in Net Position	\$ 2,119,128

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
 December 31, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 1,168,500	\$ 1,168,500	\$ 1,202,989	\$ 34,489
Intergovernmental	238,000	238,000	307,221	69,221
Charges for services	984,618	984,618	262,727	(721,891)
Interest income	-	-	12,246	12,246
Miscellaneous	170,000	170,000	222,812	52,812
Total Revenues	<u>\$ 2,561,118</u>	<u>\$ 2,561,118</u>	<u>\$ 2,007,995</u>	<u>\$ (553,123)</u>
EXPENDITURES				
Current				
General government	\$ 1,290,398	1,290,398	\$ 1,378,217	\$ (87,819)
Public safety	754,332	754,332	379,986	374,346
Health and welfare	411,901	411,901	188,085	223,816
Culture and Recreation	97,850	97,850	104,151	(6,301)
Conservation of Natural Resources	-	-	62,362	(62,362)
Total Expenditures	<u>\$ 2,554,481</u>	<u>\$ 2,554,481</u>	<u>\$ 2,112,801</u>	<u>\$ 441,680</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,637</u>	<u>\$ 6,637</u>	<u>\$ (104,806)</u>	<u>\$ (111,443)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 73,147	\$ 73,147
Transfers out	-	-	(73,147)	(73,147)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 6,637</u>	<u>\$ 6,637</u>	<u>\$ (104,806)</u>	<u>\$ (111,443)</u>
Fund Balances - January 1	<u>\$ 745,589</u>	<u>\$ 745,589</u>	<u>\$ 745,589</u>	<u>\$ -</u>
Fund Reclassification	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801</u>	<u>\$ 801</u>
Fund Balance - Jan. 1, as restated	<u>\$ 745,589</u>	<u>\$ 745,589</u>	<u>\$ 746,390</u>	<u>\$ 801</u>
Fund Balances - December 31	<u>\$ 752,226</u>	<u>\$ 752,226</u>	<u>\$ 641,584</u>	<u>\$ (110,642)</u>

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

STEELE COUNTY

Budgetary Comparison Schedule - Special Revenue Fund
 December 31, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Property tax	\$ 851,500	\$ 851,500	\$ 862,334	\$ 10,834
Sales tax	175,000	175,000	235,239	60,239
Intergovernmental	422,500	422,500	1,492,301	1,069,801
Charges for services	267,452	267,452	281,758	14,306
Miscellaneous	77,000	77,000	10,974	(66,026)
Total Revenues	1,793,452	1,793,452	2,882,606	1,089,154
EXPENDITURES				
Current				
General government	\$ 59,000	\$ 59,000	\$ 27,882	\$ 31,118
Public safety	72,544	72,544	40,239	32,305
Highways and bridges	1,411,434	1,411,434	1,984,968	(573,534)
Flood repairs	-	-	5,115	(5,115)
Health and welfare	91,864	91,864	83,696	8,168
Emergency	-	-	128,226	(128,226)
Conserv. of natural resources	102,976	102,976	67,090	35,886
Total Expenditures	\$ 1,737,818	\$ 1,737,818	\$ 2,337,216	\$ (599,398)
Excess (Deficiency) of Revenues Over Expenditures	\$ 55,634	\$ 55,634	\$ 545,390	\$ 489,756
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 99	\$ 99
Transfers Out	-	-	(99)	(99)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ 55,634	\$ 55,634	\$ 545,390	\$ 489,756
Fund Balances - January 1	\$ 3,361,248	\$ 3,361,248	\$ 3,361,248	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -
Fund Balance - Jan. 1, as restated	\$ 3,361,248	\$ 3,361,248	\$ 3,361,248	\$ -
Fund Balances - December 31	\$ 3,416,882	\$ 3,416,882	\$ 3,906,638	\$ 489,756

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

STEELE COUNTY

Schedule of Employer's Share of Net Pension and Employer Contributions
For the Year Ended December 31, 2022

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

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
2022	0.077635%	\$ 2,235,941	\$ 901,217	248.10%	54.47%
2021	0.083443%	869,731	1,047,173	83.06%	78.26%
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
2022	0.003861%	\$ 111,198	\$ 44,819	248.10%	54.47%
2021	0.003086%	32,161	42,663	75.38%	78.26%
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
2022	0.000000%	\$ -	\$ -	0.00%	54.47%
2021	0.000000%	-	-	0.00%	78.26%
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
2022	\$ 76,474	\$ 76,474	\$ (0)	\$ 1,048,845	7.29%
2021	69,682	70,656	(974)	1,047,173	6.75%
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
2022	\$ 3,803	\$ 3,803	\$ (0)	\$ 52,161	7.29%
2021	2,577	2,613	(36)	38,722	6.75%
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
2022	\$ -	\$ -	\$ -	\$ -	0.00%
2021	-	-	-	-	0.00%
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, 2022

**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
2022	0.079521%	\$ 94,295	\$ 811,037	11.63%	56.28%
2021	0.075692%	42,606	1,153,741	3.69%	76.63%
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
2022	0.002944%	\$ 4,689	\$ 40,334	11.63%	56.28%
2021	0.003028%	1,575	42,663	3.69%	76.63%
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
2022	0.002944%	\$ -	\$ -	-	56.28%
2021	0.003028%	-	-	-	76.63%
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
2022	\$ 10,160	\$ 10,160	\$ 0	\$ 891,271	1.14%
2021	9,922	10,053	(650)	1,047,173	1.09%
2020	10,605	11,247	(642)	902,902	1.25%
2019	10,765	11,386	(603)	898,608	1.23%
2018	11,663	11,419	237	967,694	1.15%
2017	10,674	10,636	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
2022	\$ 527	\$ 559	\$ (32)	\$ 44,325	1.26%
2021	397	421	(24)	38,722	1.09%
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
2022	\$ -	\$ -	\$ -	\$ -	0.00%
2021	-	-	-	-	0.00%
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, 2022

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

OPEB

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

STEELE COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Pension

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

OPEB

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

NOTE 5: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of County commissioners did not amended the County budget for 2022.

NOTE 6 EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2022, Steele County had the following fund expenditures and transfers outs in excess of budgeted amounts:

	Final Budget	Actual	Excess
Major Fund			
General Fund - Transfers Out	\$ -	\$ 73,147	\$ 73,147
Special Revenue Fund - Expenditures	1,737,818	2,344,721	606,903
Special Revenue Fund - Transfers Out	-	99	99

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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 years ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Steele County's basic financial statements, and have issued our report thereon dated October 16, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Steele County's internal control. Accordingly, we do not express an opinion on the effectiveness of Steele County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings as items 2022-001 through 2022-004 that we consider to be a material weakness.

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 items 2022-001.

Steele County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 16, 2024

STEELE COUNTY

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

Financial Statements

Type of Report Issued:	
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Unit	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

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

STEELE COUNTY

Schedule of Audit Findings

For the Year Ended December 31, 2022

2022-001 – BUDGET PREPARATION – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

Condition

Steele County did not prepare its 2022 budget or mill levy calculation in accordance with state laws listed below:

- The preliminary and final budget files for 2022 did not include elements 1-3 as the client was unable to provide a revenue budget, 5 and 9 which are all required elements included in N.D.C.C. §11-23-02.
- The mill levy calculation including the estimated cash amount did not have proper supporting documentation in accordance with N.D.C.C. §57-15-31(1).

Effect

The estimates for year-end cash and the 1st-3rd, 5th and 9th elements identified in N.D.C.C. §11-23-02 are key components in the tax levy calculation in any budget year. Thus, Steele County may have improperly calculated the tax levies for the 2022 preliminary and final budgets.

Cause

Steele County may not have procedures in place to ensure the preliminary budget, final budget, and mill levy calculations have supporting documentation that include all of the elements required by N.D.C.C. §11-23-02 and N.D.C.C. §57-15-31(1).

Criteria

N.D.C.C. §57-15-31(1) states, "The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

1. The available surplus consisting of the free and unencumbered cash balance;
2. Estimated revenues from sources other than direct property taxes;
3. The total estimated collections from tax levies for previous years;
4. Expenditures that must be made from bond sources;
5. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
6. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03."

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.

Repeat Finding

Yes.

STEELE COUNTY

Schedule of Audit Findings - Continued

Recommendation

We recommend that Steele County implement procedures to ensure its compliance with all aspects of N.D.C.C. §57-15-31(1) and N.D.C.C. §11-23-02.

Steele County Water Resource District's Response

Agree. We will review the budget going forward to ensure compliance with N.D.C.C. §11-23-02 and N.D.C.C §57-15-31(1).

2022-002 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

Auditor-identified adjusting entries related to payables, receivables, and capital assets were proposed to properly reflect the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements reflect the adjustments and were approved by management.

Criteria

Steele County is responsible to ensure the financial statements are reliable, free of material misstatements, and in accordance with GAAP.

Cause

Steele County does not have sufficient procedures in place to ensure an accurate listing of receivables, payables or capital assets which are used in the preparation of its financial statements.

Effect

The financial statements may have been misstated if the payables, receivables, and capital assets had not been adjusted during the audit.

Repeat Finding

No.

Recommendation

We recommend Steele County review all adjusting entries to the financial statements to properly reflect the financial statements are in accordance with GAAP.

Steele County's Response

Agree. We will review the adjustments needed for presentation in the financial statements.

2022-003 AUDIT ADJUSTMENTS – COMPONENT UNIT - MATERIAL WEAKNESS

Condition

Auditor-identified adjusting entries related to payables, receivables, and capital assets were proposed to properly reflect the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements reflect the adjustments and were approved by management.

Criteria

Steele County Water Resource District is responsible to ensure the financial statements are reliable, free of material misstatements, and in accordance with GAAP.

Cause

Steele County Water Resource District does not have sufficient procedures in place to ensure an accurate listing of receivables, payables or capital assets which are used in the preparation of its financial statements.

Effect

The financial statements may have been misstated if the payables, receivables, and capital assets had not been adjusted during the audit.

Repeat Finding

No.

Recommendation

We recommend Steele County Water Resource District review all adjusting entries to the financial statements to properly reflect the financial statements are in accordance with GAAP.

Steele County Water Resource District Response

Agree. We will review the adjustments needed for presentation in the financial statements.

2022-004 – LACK OF SEGREGATION OF DUTIES - COMPONENT UNIT – MATERIAL WEAKNESS

Condition

The Steele County Water Resource District has 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.

Effect

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

Cause

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

Criteria

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

Repeat Finding

Yes.

Recommendation

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

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

Steele County Water Resource District's Response

We agree that a lack of segregation of duties exists due to limited personnel as of 2022. We will segregate duties when feasible.



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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