



Steele County

Finley, North Dakota

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

STEELE COUNTY

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STEELE COUNTY

County Officials and Audit Personnel
December 31, 2017

COUNTY OFFICIALS

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

AUDIT PERSONNEL

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

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



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

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

INDEPENDENT AUDITOR’S REPORT

Board of County Commissioners
Steele County
Finley, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Steele County’s basic financial statements as listed in the table of contents.

Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County, North Dakota, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

STEELE COUNTY

Independent Auditor's Report – Continued

Emphasis of a Matter

As discussed in Note 11 to the financial statements, Steele County adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Budgetary Comparison Schedules, Schedule of Employer's Share of Net Pension Liability and Employer Contributions, and Schedule of Employer's Share of Net OPEB Liability and Employer Contributions* on pages 29-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019 on our consideration of Steele County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Steele County's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 15, 2019

STEELE COUNTY
Statement of Net Position
December 31, 2017

	Primary	Component Units	
	Government	Water	Job
	Governmental	Resource	Development
	Activities	District	Authority
ASSETS			
Cash, cash equivalents, and investments	\$ 9,323,702	\$ 552,513	\$ 310,279
Intergovernmental receivable	146,386	-	-
Road accounts receivable	1,995	-	-
Prepaid expense	351,050	-	-
Taxes receivable	45,757	1,943	1,620
Intangible assets	-	105,700	-
Capital assets, Net	\$ 11,699,588	\$ 1,932,048	\$ -
Total Assets	\$ 21,568,478	\$ 2,592,204	\$ 311,899
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 732,922	\$ 25,639	\$ 30,442
LIABILITIES			
Accounts payable	\$ 145,419	\$ 2,450	\$ 18,234
Salaries and benefits payable	7,099	56	-
Due to other governments	27,696	-	-
Grants received in advance	2,055	-	-
Retainage payable	410,361	-	-
Interest payable	87,303	20,947	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	324,801	110,236	-
Compensated Absences	2,134	136	173
Due After One Year			
Long-Term Debt	7,125,456	845,055	-
Compensated Absences	19,206	1,227	1,560
Net Pension and OPEB Liability	1,475,249	51,608	61,275
Total Liabilities	\$ 9,626,779	\$ 1,031,715	\$ 81,242
DEFERRED INFLOWS OF RESOURCES			
Derived from pension and OPEB	\$ 48,074	\$ 1,682	\$ 1,997
Taxes received in advance	654,634	-	-
Total Deferred Inflows of Resources	\$ 702,708	\$ 1,682	\$ 1,997
NET POSITION			
Net investment in capital assets	\$ 3,844,691	\$ 976,757	\$ -
Restricted			
Highways and bridges	1,675,779	-	-
Capital Projects	3,344,322	-	-
Conservation of natural resources	200,033	607,689	-
Emergencies	395,281	-	-
General government	572,643	-	-
Economic development	-	-	259,102
Unrestricted	1,939,164	-	-
Total Net Position	\$ 11,971,913	\$ 1,584,446	\$ 259,102

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

STEELE COUNTY

Statement of Activities

For the Year Ended December 31, 2017

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	\$ 1,316,865	\$ 202,313	\$ -	\$ -	\$ (1,114,552)		
Public safety	364,946	78,019	28,580	-	(258,347)		
Highways and bridges	2,287,224	143,507	1,798,155	942,018	596,456		
Flood repairs	149,361	-	-	-	(149,361)		
Health and welfare	466,725	36,401	43,853	-	(386,471)		
Conserv. of natural resources	82,213	-	149,361	-	67,148		
Culture and recreation	88,880	4,857	-	-	(84,023)		
Interest & Fees	154,978	-	-	-	(154,978)		
Total Governmental Activities	\$ 4,911,192	\$ 465,097	\$ 2,019,949	\$ 942,018	\$ (1,484,128)		
Component Units							
Water Resource District	\$ 246,892	\$ -	\$ 7,145	\$ 27,937		\$ (211,810)	\$ -
Job Development Authority	160,160	-	-	-		-	(160,160)
Total Component Units	\$ 407,052	\$ -	\$ 7,145	\$ 27,937		\$ (211,810)	\$ (160,160)
General Revenues							
Taxes							
Property taxes; levied for general purposes					\$ 776,568	\$ 326,304	\$ 74,268
Property taxes; levied for special purposes					990,925	-	-
Property taxes; levied for debt service					202,028	-	-
Sales taxes					183,135	-	-
Unrestricted grants and contributions					277,552	3,096	-
Unrestricted investment earnings					20,997	778	1,332
Miscellaneous revenue					105,512	1,244	39,988
Unrealized gain (loss) on investments					-	-	(706)
Total General Revenues					\$ 2,556,717	\$ 331,422	\$ 114,882
Change in Net Position					\$ 1,072,589	\$ 119,612	\$ (45,278)
Net Position - January 1					\$ 10,964,926	\$ 1,467,530	\$ 306,870
Prior Period Adjustment					\$ (65,602)	\$ (2,696)	\$ (2,490)
Net Position - January 1, as restated					\$ 10,899,324	\$ 1,464,834	\$ 304,380
Net Position - December 31					\$ 11,971,913	\$ 1,584,446	\$ 259,102

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

STEELE COUNTY

Balance Sheet – Governmental Funds

December 31, 2017

	General	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents, and investments	\$ 2,188,769	\$ 3,527,032	\$ 3,425,304	\$ 182,597	\$ 9,323,702
Intergovernmental receivable	81,605	64,781	-	-	146,386
Road receivable	-	1,995	-	-	1,995
Prepaid expenditure	-	351,050	-	-	351,050
Due from other funds	300	-	-	-	300
Taxes receivable	17,666	23,386	4,705	-	45,757
Total Assets and Deferred Outflows of Resources	\$ 2,288,340	\$ 3,968,244	\$ 3,430,009	\$ 182,597	\$ 9,869,190
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 73,514	\$ 24,995	\$ 46,910	\$ -	\$ 145,419
Salaries payable	-	7,099	-	-	7,099
Due to other funds	-	300	-	-	300
Due to other governments	27,696	-	-	-	27,696
Grants received in advance	-	2,055	-	-	2,055
Total Liabilities	\$ 101,210	\$ 34,449	\$ 46,910	\$ -	\$ 182,569
Deferred Inflows of Resources					
Taxes received in advance	\$ 185,903	\$ 286,154	\$ 182,577	\$ -	\$ 654,634
Road receivable	-	1,995	-	-	1,995
Taxes receivable	17,666	23,386	4,705	-	45,757
Total Deferred Inflows of Resources	\$ 203,569	\$ 311,535	\$ 187,282	\$ -	\$ 702,386
Total Liabilities and Deferred Inflows of Resources	\$ 304,779	\$ 345,984	\$ 234,192	\$ -	\$ 884,955
Fund Balances					
Nonspendable					
General government	\$ -	\$ 351,050	\$ -	\$ -	\$ 351,050
Restricted					
Public safety	-	102,640	-	-	102,640
Highways and bridges	-	1,868,953	-	-	1,868,953
Health and welfare	-	123,830	-	-	123,830
Capital projects	-	-	3,161,725	182,597	3,344,322
Conservation of natural resources	-	203,712	-	-	203,712
Emergencies	-	395,120	-	-	395,120
General government	-	577,585	-	-	577,585
Debt service	-	-	34,092	-	34,092
Unassigned	1,983,561	(630)	-	-	1,982,931
Total Fund Balances	\$ 1,983,561	\$ 3,622,260	\$ 3,195,817	\$ 182,597	\$ 8,984,235
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,288,340	\$ 3,968,244	\$ 3,430,009	\$ 182,597	\$ 9,869,190

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, 2017

Total Fund Balances of Governmental Funds \$ 8,984,235

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Cost of capital assets	\$ 14,429,194	
Less accumulated depreciation	<u>(2,729,606)</u>	11,699,588

Property taxes and road 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.

Taxes receivable	\$ 45,757	
Road accounts receivable	<u>1,995</u>	47,752

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	\$ 732,922	
Deferred inflows related to pensions and OPEB	<u>(48,074)</u>	684,848

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Long-term debt	\$ (7,450,257)	
Retainage payable	(410,361)	
Interest payable	(87,303)	
Compensated absences payable	(21,340)	
Net pension and OPEB liability	<u>(1,475,249)</u>	<u>(9,444,510)</u>

Total Net Position of Governmental Activities \$ 11,971,913

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

STEELE COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$ 772,914	\$ 986,076	\$ 201,039	\$ -	\$ 1,960,029
Sales tax	-	183,135	-	-	183,135
Intergovernmental	222,398	2,074,316	787	-	2,297,501
Charges for services	278,164	190,869	-	-	469,033
Interest income	20,997	-	-	-	20,997
Miscellaneous	100,313	5,199	-	-	105,512
Total Revenues	\$ 1,394,786	\$ 3,439,595	\$ 201,826	\$ -	\$ 5,036,207
EXPENDITURES					
Current					
General government	\$ 1,243,416	\$ 69,147	\$ -	\$ -	\$ 1,312,563
Public safety	309,719	46,991	-	-	356,710
Highways and bridges	-	3,986,340	1,883,448	20,000	5,889,788
Flood repairs	-	149,361	-	-	149,361
Health and welfare	83,504	351,821	-	-	435,325
Culture and recreation	70,322	-	-	-	70,322
Conservation of natural resources	-	88,018	-	-	88,018
Debt Service					
Principal	2,542	-	125,000	-	127,542
Interest	-	-	79,970	-	79,970
Fees	-	-	1,136	-	1,136
Total Expenditures	\$ 1,709,503	\$ 4,691,678	\$ 2,089,554	\$ 20,000	\$ 8,510,735
Excess (Deficiency) of Revenues Over Expenditures	\$ (314,717)	\$ (1,252,083)	\$ (1,887,728)	\$ (20,000)	\$ (3,474,528)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	\$ -	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000
Bond Premium	-	-	45,174	-	45,174
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 5,045,174	\$ -	\$ 5,045,174
Net Change in Fund Balances	\$ (314,717)	\$ (1,252,083)	\$ 3,157,446	\$ (20,000)	\$ 1,570,646
Fund Balances - January 1	\$ 2,298,278	\$ 4,874,343	\$ 38,371	\$ 202,597	\$ 7,413,589
Fund Balances - December 31	\$ 1,983,561	\$ 3,622,260	\$ 3,195,817	\$ 182,597	\$ 8,984,235

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

STEELE COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 1,570,646
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 4,401,314	
Capital contribution	942,018	
Depreciation expense	<u>(289,699)</u>	5,053,633

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

Debt issuance	\$ (5,045,174)	
Repayment of debt	<u>127,542</u>	(4,917,632)

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

Net change in retainage payable	\$ (410,361)	
Net change in interest payable	(73,872)	
Net change in compensated absences	<u>11,454</u>	(472,779)

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	\$ 9,492	
Net change in road accounts receivable	<u>(3,936)</u>	5,556

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	\$ (549,143)	
Net change in deferred outflows of resources	379,664	
Net change in deferred inflows of resources	<u>2,644</u>	<u>(166,835)</u>

Change in Net Position of Governmental Activities	<u>\$ 1,072,589</u>
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The notes to the financial statements are an integral part of this statement.

STEELE COUNTY

Statement of Fiduciary Assets and Liabilities - Agency Funds
December 31, 2017

ASSETS

Cash and cash equivalents \$ 1,337,944

LIABILITIES

Due to other governments \$ 1,337,944

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, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Steele County ("County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the county's accounting policies are described below.

A. Reporting Entity

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

Based on these criteria, there are two component units to be included within the County as a reporting entity.

Component Units

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

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

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

B. Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the primary government, the County and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

STEELE COUNTY

Notes to the Financial Statements – Continued

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

The county reports the following major governmental funds:

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

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

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the years ended December 31, 2017 consist of certificates of deposit stated at cost with maturities in excess of three months.

STEELE COUNTY

Notes to the Financial Statements – Continued

E. Capital Assets

Primary Government

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

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

Assets	Years
Buildings	40
Machinery and Equipment	5 - 15
Infrastructure	40
Vehicles	3 - 5
Office Equipment	3 - 5

Discretely Presented Component Units

Water Resource District

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

Asset	Years
Easements	Indefinite
Infrastructure	50

F. Compensated Absences

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

G. Long-Term Obligations

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

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

H. Pension

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

STEELE COUNTY

Notes to the Financial Statements – Continued

I. Other Post-Employment Benefits (OPEB)

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

J. Fund Balances

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

Fund Balance Spending Policy. It is the policy of the County to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

K. Net Position

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

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

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

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

L. Interfund Transactions

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

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

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

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 2: DEPOSITS

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

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

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

At year ended December 31, 2017, the County's carrying amount of deposits totaled \$10,536,200, and the bank balances totaled \$10,734,962. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance, and \$11,939 was held at the Bank of North Dakota (not requiring collateralization). The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

The Water Resource District's carrying amount of deposits at December 31, 2017 totaled \$552,513 and the bank balances totaled \$577,745. Of the bank balances, \$346,975 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

The Job Development Authority's carrying amount of deposits at December 31, 2017 totaled \$310,279 and the bank balances totaled \$310,692, all of which was covered by Federal Depository Insurance.

Credit Risk

The County may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2017, the County held certificates of deposit in the amount of \$2,212,440, and the Job Development Authority held \$254,032, all of which are considered deposits.

Interest Rate Risk

The County does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk

The county does not have a limit on the amount they may invest in any one issuer.

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 3: TAXES RECEIVABLE

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

NOTE 4: CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the year ended December 31, 2017:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31
<i>Capital assets not being depreciated</i>				
Land	\$ 5,425	\$ -	\$ -	\$ 5,425
Construction in Progress	67,277	5,154,533	-	5,221,810
Total Capital Assets, Not Being Depreciated	\$ 72,702	\$ 5,154,533	\$ -	\$ 5,227,235
<i>Capital assets, being depreciated</i>				
Office Equipment	\$ 55,008	\$ -	\$ 5,734	\$ 49,274
Vehicles	323,544	110,650	-	434,194
Machinery & Equipment	1,396,368	33,149	18,000	1,411,517
Buildings	979,899	45,000	80,000	944,899
Infrastructure	6,362,075	-	-	6,362,075
Total Capital Assets, Being Depreciated	\$ 9,116,894	\$ 188,799	\$ 103,734	\$ 9,201,959
<i>Less accumulated depreciation for</i>				
Office Equipment	\$ 47,384	\$ 2,541	\$ 5,734	\$ 44,191
Vehicles	255,638	41,390	-	297,028
Machinery & Equipment	1,119,327	68,530	18,000	1,169,857
Buildings	470,748	18,186	80,000	408,934
Infrastructure	650,544	159,052	-	809,596
Total Accumulated Depreciation	\$ 2,543,641	\$ 289,699	\$ 103,734	\$ 2,729,606
Total Capital Assets Being Depreciated, Net	\$ 6,573,253	\$ (100,900)	\$ -	\$ 6,472,353
Total Capital Assets, Net	\$ 6,645,955	\$ 5,053,633	\$ -	\$ 11,699,588

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

General Government	\$ 18,557
Highways and Bridges	232,395
Public Safety	27,652
Culture and Recreation	11,095
Conservation of Natural Resources	-
Total Depreciation Expense	\$ 289,699

STEELE COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component Unit

Steele County Water Resource District

The following is a summary of changes in capital assets for the year ended December 31, 2017 for the Steele County Water Resource District:

Steele County Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ 71,923	\$ -	\$ -	\$ -	\$ 71,923
Construction in Progress	1,039,261	90,953	-	(1,130,214)	-
Total Capital Assets, Not Being Depreciated	\$ 1,111,184	\$ 90,953	\$ -	\$ (1,130,214)	\$ 71,923
<i>Capital assets, being depreciated</i>					
Infrastructure	\$ 940,645	\$ -	\$ -	\$ 1,130,214	\$ 2,070,859
<i>Less accumulated depreciation for Infrastructure</i>	\$ 169,316	\$ 41,418	\$ -	\$ -	\$ 210,734
Total Capital Assets Being Depreciated, Net	\$ 771,329	\$ (41,418)	\$ -	\$ 1,130,214	\$ 1,860,125
Total Capital Assets, Net	\$ 1,882,513	\$ 49,535	\$ -	\$ -	\$ 1,932,048

Depreciation of \$41,418 was charged to conservation of natural resources function.

Intangible Assets for the year ended December 31, 2017:

Steele County Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Intangible asset, not being depreciated</i>					
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 5: LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2017, the following changes occurred in governmental activities long-term liabilities for Steele County:

Primary Government	Bal Jan 1 Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Leases	\$ 7,625	\$ -	\$ 2,542	\$ 5,083	\$ 2,542
General Obligation Bonds	2,525,000	5,000,000	125,000	7,400,000	320,000
Bond Premium	-	45,174	-	45,174	2,259
Total Long-Term Debt	\$ 2,532,625	\$ 5,045,174	\$ 127,542	\$ 7,450,257	\$ 324,801
Compensated Absences *	\$ 32,794	\$ -	\$ 11,454	\$ 21,340	\$ 2,134
Net Pension and OPEB Liability	926,106	549,143	-	1,475,249	-
Total Long-Term Liabilities	\$ 3,491,525	\$ 5,594,317	\$ 138,996	\$ 8,946,846	\$ 326,935

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

STEELE COUNTY

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding debt, excluding compensated absences and net pension and OPEB liability are as follows for the year ended December 31, 2017:

PRIMARY GOVERNMENT					
Year Ending December 31	Leases Payable		G.O. Bonds Payable		Bond Premium
	Principal	Interest	Principal	Interest	Premium
2018	\$ 2,542	\$ -	\$ 320,000	\$ 201,563	\$ 2,259
2019	2,541	-	325,000	216,925	2,259
2020	-	-	330,000	208,375	2,259
2021	-	-	335,000	199,417	2,259
2022	-	-	345,000	189,889	2,259
2023 - 2027	-	-	1,860,000	792,760	11,293
2028 - 2032	-	-	2,145,000	494,435	11,293
2033 - 2037	-	-	1,740,000	156,481	11,293
Total	\$ 5,083	\$ -	\$ 7,400,000	\$ 2,459,845	\$ 45,174

Discretely Presented Component Units

Steele County Water Resource District:

During the year ended December 31, 2017, the following changes occurred in governmental and enterprise long-term liabilities of the District:

Water Resource District	Bal Jan 1 Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 312,000	\$ -	\$ 113,638	\$ 908,362	\$ 98,187
Loans Payable	888,910	250,425	382,405	46,930	12,049
Total Long-Term Debt	\$ 1,200,910	\$ 250,425	\$ 496,043	\$ 955,292	\$ 110,236
Compensated Absences *	\$ 420	\$ 943	\$ -	\$ 1,363	\$ 136
Net Pension and OPEB Liability	38,099	13,509	-	51,608	-
Total Long-Term Liabilities	\$ 1,239,429	\$ 264,877	\$ 496,043	\$ 1,008,263	\$ 110,372

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

Debt service requirements on long-term debt for the discretely presented component unit at December 31, 2017 are as follows:

WATER RESOURCE DISTRICT				
Year Ending December 31	Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2018	\$ 98,187	\$ 30,029	\$ 12,049	\$ 2,284
2019	133,489	28,890	4,924	1,993
2020	134,836	22,932	5,207	1,711
2021	41,230	19,228	5,515	1,403
2022	42,673	17,765	5,837	1,081
2023 - 2027	236,845	65,017	13,398	898
2028 - 2032	221,102	19,954	-	-
Totals	\$ 908,362	\$ 203,815	\$ 46,930	\$ 9,370

STEELE COUNTY

Notes to the Financial Statements – Continued

Steele County Job Development Authority

During the year ended December 31, 2017, the following changes occurred in governmental and enterprise long-term liabilities of the Job Development Authority:

Job Development Authority	Bal Jan 1 Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 1,145	\$ 588	\$ -	\$ 1,733	\$ 173
Net Pension and OPEB Liability	35,198	26,077	-	61,275	-
Total Long-Term Liabilities	\$ 36,343	\$ 26,665	\$ -	\$ 63,008	\$ 173

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

NOTE 6: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

STEELE COUNTY

Notes to the Financial Statements – Continued

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

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

At December 31, 2017, the County reported a liability of \$1,409,782, Steele County Water Resource District reported a liability of \$49,318, and Steele County Job Development Authority reported a liability of \$58,555 for their proportionate shares of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2017, the County’s proportion was .087710 percent, the Water Resource District’s proportion was .003068 percent, and the Job Development Authority’s proportion was .003643 percent, which was a decrease of .000588 percent, a decrease of 0.000562 percent, and an increase of .000289 percent, respectively, from their proportion measured as of June 30, 2016.

STEELE COUNTY

Notes to the Financial Statements – Continued

For the year ended December 31, 2017, the County recognized pension expense of \$238,552, the Water Resource District recognized pension expense of \$8,345, and the Job Development Authority recognized pension expense of \$9,908. At December 31, 2017, the County, Water Resource District, and Job Development Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 8,380	\$ 6,868
Changes of Assumptions	578,106	31,797
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	18,960	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	82,675	5,303
District Contributions Subsequent to the Measurement Date	33,152	-
Total Primary Government	\$ 721,273	\$ 43,969

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 293	\$ 240
Changes of Assumptions	20,224	1,112
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	663	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,892	186
District Contributions Subsequent to the Measurement Date	1,160	-
Total Water Resource District	\$ 25,232	\$ 1,538

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 348	\$ 285
Changes of Assumptions	24,012	1,321
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	788	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,434	220
District Contributions Subsequent to the Measurement Date	1,377	-
Total Job Development Authority	\$ 29,958	\$ 1,826

\$33,152, \$1,160, and \$1,377, for the County, Water Resource District, and Job Development Authority, respectively, 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, 2018.

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
2018	\$ 148,056	\$ 5,179	\$ 6,150
2019	174,072	6,089	7,230
2020	153,944	5,385	6,394
2021	110,347	3,860	4,583
2022	57,733	2,020	2,398

STEELE COUNTY

Notes to the Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	-.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate

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

STEELE COUNTY

Notes to the Financial Statements – Continued

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

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

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

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

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Proportionate Share of the Net Pension Liability			
Primary Government	\$ 1,913,823	\$ 1,409,782	\$ 990,442
Water Resource District	66,950	49,318	34,648
Job Development Authority	79,491	58,555	41,138

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 7: OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

STEELE COUNTY

Notes to the Financial Statements – Continued

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

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

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

At December 31, 2017, the County reported a liability of \$65,468, the Water Resource District \$2,290, and the Job Development Authority \$2,719, for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017 the County proportion was .082566 percent, the Water Resource District's proportion was .003395 percent, and the Job Development Authority's proportion was .003395 percent.

For the year ended December 31, 2017, the County recognized OPEB expense of \$7,887, the Water Resource District \$276, and the Job Development Authority \$328, respectively. At December 31, 2017, the County, Water Resource District, and Job Development Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,597
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	6,341	2,476
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	33
District Contributions Subsequent to the Measurement Date	5,308	-
Total Primary Government	\$ 11,649	\$ 4,105

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	\$ -	\$ 56
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	222	87
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	1
District Contributions Subsequent to the Measurement Date	186	-
Total Water Resource District	\$ 408	\$ 144

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 66
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	263	103
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	1
District Contributions Subsequent to the Measurement Date	220	-
Total Job Development Authority	\$ 484	\$ 170

\$5,308 was reported for the County, \$186 for the Water Resource District, and \$220 for the Job Development Authority, respectively, as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

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

	Primary Government	Water Resource District	Job Development Authority
2018	\$ 119	\$ 4	\$ 5
2019	119	4	5
2020	119	4	5
2021	119	4	5
2022	738	26	31
2023	738	26	31
Thereafter	285	10	12

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

STEELE COUNTY

Notes to the Financial Statements – Continued

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2017 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net OPEB Liability			
Primary Government	\$ 81,957	\$ 65,468	\$ 51,332
Water Resource District	2,867	2,290	1,796
Job Development Authority	3,404	2,719	2,132

NOTE 8: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF for automobile and general liability is limited to losses of two million dollars per occurrence. Public assets (mobile equipment and portable property) coverage is limited to \$1,413,470.

STEELE COUNTY

Notes to the Financial Statements – Continued

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

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

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

NOTE 9: JOINT VENTURE

Under authorization of state statutes, Rush River Water Resource District joined Southeast Cass Water Resource District, North Cass Water Resource District, Maple River Water Resource District, and the water resource districts of Richland County, Grand Forks County, Pembina County, Traill County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for the water management districts located within the Red River Valley. Known as the Red River Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint

venture. The operating and capital expenses are funded by contributions from each government. Each government’s share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government’s contribution each year depends on where Red River Joint Water Resource Board projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2017, which is the most current audited information available:

	Red River Joint Joint WRD
Total Assets	\$ 10,183,698
Total Liabilities	117,178
Net Position	\$ 10,066,520
Revenues	\$ 3,735,429
Expenses	859,223
Change in Net Position	\$ 2,876,206

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

NOTE 10: CONSTRUCTION COMMITMENTS

The County had several open construction commitments as of December 31, 2017 as follows:

Project	Contract	Completed	Retainage	Balance
CNOA 4604(055)	\$ 3,826,063	\$ 3,434,468	\$ 382,606	\$ 774,201
BRC 4604(056)	1,104,892	1,124,027	22,034	2,899
Vanguard Appraisal	218,905	57,208	5,721	167,418
Total	\$ 5,149,860	\$ 4,615,703	\$ 410,361	\$ 944,518

STEELE COUNTY

Notes to the Financial Statements – Continued

NOTE 11: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*. The result of implementing GASB 75 reduced beginning net position for the County and its component units.

Adjustments to beginning net position for the County, Job Development Authority and Water Resource District are outlined as follows:

Primary Government	Amounts
Beginning Net Position, as previously reported	\$ 10,964,926
Adjustments to restate the January 1, 2017 Net Position:	
Net Pension & OPEB Liability	(65,602)
Net Position January 1, as restated	\$ 10,899,324

Water Resource District	Amounts
Beginning Net Position, as previously reported	\$ 1,467,530
Adjustments to restate the January 1, 2017 Net Position:	
Net Pension & OPEB Liability	(2,696)
Net Position January 1, as restated	\$ 1,464,834

Job Development Authority	Amounts
Beginning Net Position, as previously reported	\$ 306,870
Adjustments to restate the January 1, 2017 Net Position:	
Net Pension & OPEB Liability	(2,490)
Net Position January 1, as restated	\$ 304,380

STEELE COUNTY

Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ 772,914	\$ 772,914
Intergovernmental	326,535	326,535	222,398	(104,137)
Charges for services	302,582	302,582	278,164	(24,418)
Interest income	18,200	18,200	20,997	2,797
Miscellaneous	75,560	75,560	100,313	24,753
Total Revenues	\$ 722,877	\$ 722,877	\$ 1,394,786	\$ 671,909
EXPENDITURES				
Current				
General government	\$ 1,254,490	1,254,490	\$ 1,243,416	\$ 11,074
Public safety	303,123	303,123	309,719	(6,596)
Health and welfare	93,335	93,335	83,504	9,831
Culture and Recreation	145,000	145,000	70,322	74,678
Debt Service				
Principal	2,542	2,542	2,542	-
Total Expenditures	\$ 1,798,490	\$ 1,798,490	\$ 1,709,503	\$ 88,987
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,075,613)	\$ (1,075,613)	\$ (314,717)	\$ 760,896
Fund Balances - January 1	\$ 2,298,278	\$ 2,298,278	\$ 2,298,278	\$ -
Fund Balances - December 31	\$ 1,222,665	\$ 1,222,665	\$ 1,983,561	\$ 760,896

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

STEELE COUNTY

Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Property tax	\$ 543,000	\$ 543,000	\$ 986,076	\$ 443,076
Sales tax	190,000	190,000	183,135	(6,865)
Intergovernmental	518,322	518,322	2,074,316	1,555,994
Charges for services	140,000	140,000	190,869	50,869
Miscellaneous	9,450	9,450	5,199	(4,251)
Total Revenues	1,400,772	1,400,772	3,439,595	2,038,823
EXPENDITURES				
Current				
General government	\$ 101,000	\$ 101,000	\$ 69,147	\$ (31,853)
Public safety	73,874	73,874	46,991	(26,883)
Highways and bridges	1,556,628	3,999,902	3,986,340	(13,562)
Flood repairs	-	149,361	149,361	-
Health and welfare	324,842	353,179	351,821	(1,358)
Emergency	50,000	50,000		(50,000)
Conserv. of natural resources	114,242	114,242	88,018	(26,224)
Total Expenditures	\$ 2,220,586	\$ 4,841,558	\$ 4,691,678	\$ (149,880)
Excess (Deficiency) of Revenues Over Expenditures	\$ (819,814)	\$ (3,440,786)	\$ (1,252,083)	\$ 1,888,943
Fund Balances - January 1	\$ 4,874,343	\$ 4,874,343	\$ 4,874,343	\$ -
Fund Balances - December 31	\$ 4,054,529	\$ 1,433,557	\$ 3,622,260	\$ 1,888,943

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

STEELE COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2017

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

Primary Government - Pension	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.087710%	0.088298%	0.082967%	0.066776%
County's proportionate share of the net pension liability (asset)	\$ 1,409,782	\$ 860,548	\$ 564,163	\$ 423,844
County's covered-employee payroll	\$ 895,376	\$ 889,829	\$ 739,136	\$ 562,513
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

Water Resource District - Pension	2017	2016	2015	2014
Water Resource District's proportion of the net pension liability (asset)	0.003068%	0.003630%	0.003770%	0.003034%
Water Resource District's proportionate share of the net pension liability (asset)	\$ 49,318	\$ 35,380	\$ 25,633	\$ 19,257
Water Resource District's covered-employee payroll	\$ 31,323	\$ 36,584	\$ 33,582	\$ 25,558
Water Resource District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

Job Development Authority - Pension	2017	2016	2015	2014
Job Development Authority's proportion of the net pension liability (asset)	0.003384%	0.003108%	0.003368%	0.002711%
Job Development Authority's proportionate share of the net pension liability (asset)	\$ 54,393	\$ 30,291	\$ 22,905	\$ 17,208
Job Development Authority's covered-employee payroll	\$ 34,546	\$ 31,322	\$ 30,009	\$ 22,838
Job Development Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	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 - Pension	2017	2016	2015	2014
Statutory required contribution	\$ 64,926	\$ 64,422	\$ 56,144	\$ 40,051
Contributions in relation to the statutory required contribution	\$ 64,777	\$ 63,899	\$ 57,705	\$ 40,051
Contribution deficiency (excess)	\$ 149	\$ 524	\$ (1,561)	\$ -
County's covered-employee payroll	\$ 928,119	\$ 911,149	\$ 837,931	\$ 786,244
Contributions as a percentage of covered-employee payroll	6.98%	7.01%	6.89%	5.09%

Water Resource District - Pension	2017	2016	2015	2014
Statutory required contribution	\$ 2,271	\$ 2,649	\$ 2,551	\$ 1,820
Contributions in relation to the statutory required contribution	\$ 2,266	\$ 2,627	\$ 2,622	\$ 1,820
Contribution deficiency (excess)	\$ 5	\$ 22	\$ (71)	\$ -
Water Resource District's covered-employee payroll	\$ 32,468	\$ 31,874	\$ 29,313	\$ 27,505
Contributions as a percentage of covered-employee payroll	6.98%	8.24%	8.94%	6.62%

Job Development Authority - Pension	2017	2016	2015	2014
Statutory required contribution	\$ 2,505	\$ 2,268	\$ 2,279	\$ 1,626
Contributions in relation to the statutory required contribution	\$ 2,499	\$ 2,249	\$ 2,343	\$ 1,626
Contribution deficiency (excess)	\$ 6	\$ 18	\$ (63)	\$ -
Job Development Authority's covered-employee payroll	\$ 38,549	\$ 37,845	\$ 34,804	\$ 32,657
Contributions as a percentage of covered-employee payroll	6.48%	5.94%	6.73%	4.98%

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, 2017

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

Primary Government - OPEB	2017
Primary Government's proportion of the net OPEB liability (asset)	0.082764%
Primary Government's proportionate share of the net OPEB liability (asset)	\$ 65,468
Primary Government's covered-employee payroll	\$ 895,376
Primary Government's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

Water Resource District - OPEB	2017
Water Resource District's proportion of the net OPEB liability (asset)	0.002895%
Water Resource District's proportionate share of the net OPEB liability (asset)	\$ 2,290
Water Resource District's covered-employee payroll	\$ 31,323
Water Resource District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

Job Development Authority - OPEB	2017
Job Development Authority's proportion of the net OPEB liability (asset)	0.003438%
Job Development Authority's proportionate share of the net OPEB liability (asset)	\$ 2,719
Job Development Authority's covered-employee payroll	\$ 37,190
Job Development Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	7.31%

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 - OPEB	2017
Statutory required contribution	\$ 10,409
Contributions in relation to the statutory required contribution	\$ 10,371
Contribution deficiency (excess)	\$ 37
Primary Government's covered-employee payroll	\$ 928,119
Contributions as a percentage of covered-employee payroll	1.12%

Water Resource District - OPEB	2017
Statutory required contribution	\$ 364
Contributions in relation to the statutory required contribution	\$ 363
Contribution deficiency (excess)	\$ 1
Water Resource District's covered-employee payroll	\$ 32,468
Contributions as a percentage of covered-employee payroll	1.12%

Job Development Authority - OPEB	2017
Statutory required contribution	\$ 432
Contributions in relation to the statutory required contribution	\$ 431
Contribution deficiency (excess)	\$ 2
Job Development Authority's covered-employee payroll	\$ 38,549
Contributions as a percentage of covered-employee payroll	1.12%

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, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

NOTE 3: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2017. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NOTE 4: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of county commissioners amended the county budget for 2017 as follows:

Fund	Original Budget	Amendment	Amended Budget
EXPENDITURES			
Special Revenue Fund	\$ 2,220,586	\$ 2,620,972	4,841,558

STEELE COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 5: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2017, the County had the following fund expenditures in excess of budgeted amounts:

Fund	Budget	Actual	Overspent
Debt Service Fund	-	1,836,539	(1,836,539)

No remedial action is anticipated or required regarding these excess expenditures.

STEELE COUNTY

Fund Activity - Cash Basis

For the Year Ended December 31, 2017

	Balance Jan 1	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance Dec 31
Governmental Funds							
General Fund							
General Fund	\$ 2,451,747.38	\$ 1,322,044.89	\$ 56,906.67	\$ -	\$ 96,293.00	\$ 1,587,762.41	\$ 2,146,643.53
Capital Projects General Fund	(56,906.67)	-	48,226.62	-	56,906.67	48,226.62	(113,813.34)
Health Care Insurance	24.80	-	-	-	-	-	24.80
County Park	48,066.38	60,081.26	48,066.38	-	-	-	156,214.02
Total General Fund	\$ 2,442,931.89	\$ 1,382,126.15	\$ 153,199.67	\$ -	\$ 153,199.67	\$ 1,635,989.03	\$ 2,189,069.01
Special Revenue Fund							
County Sales Tax	\$ 790,060.00	\$ 188,768.06	\$ -	\$ -	\$ -	\$ 419,474.00	\$ 559,354.06
Farm to Market Road	1,257,049.23	308,834.09	-	-	-	735,211.53	830,671.79
Road Construction	463,280.89	1,483,034.61	-	-	-	1,751,022.31	195,293.19
Utility Permits	5,029.99	-	-	-	-	-	5,029.99
Weight Restriction Management	29,727.67	17,273.00	-	-	-	3,840.16	43,160.51
County Road and Bridge	675,990.38	564,498.13	468,974.25	-	-	1,252,194.27	457,268.49
Highway Tax Distribution	190,330.73	311,569.35	-	-	468,974.25	-	32,925.83
County Road - 5 Mill	674,234.67	153,135.39	-	-	-	257,913.70	569,456.36
Correctional Facility	44,206.01	28,127.27	-	-	-	10,437.53	61,895.75
County Share of Specials	(299.86)	-	-	-	-	-	(299.86)
Human Services Fund	286,819.16	126,757.74	-	-	-	314,256.78	99,320.12
Foster Care	10,861.34	4,156.87	-	-	-	4,156.87	10,861.34
911 Fund	41,455.38	38,568.36	-	-	-	35,631.28	44,392.46
Flood 2010	2,055.30	-	-	-	-	-	2,055.30
Flood 2011	149,360.58	-	-	-	-	149,360.58	-
Hazardous Chemical Preparedness	222.36	562.50	-	-	-	755.61	29.25
Emergency Fund	391,221.14	3,180.35	-	-	-	-	394,401.49
Veterans Service Officer	11,888.89	31,936.53	-	-	-	32,700.43	11,124.99
County Agent	85,986.55	13,549.63	-	-	-	48,456.33	51,079.85
County Agent Special Fund	2,117.40	2,390.00	-	-	-	1,966.30	2,541.10
Weed Control	140,753.24	16,427.06	-	-	-	34,599.22	122,581.08
Document Preservation Fund	30,530.99	4,857.25	-	-	-	1,800.00	33,588.24
Total Special Revenue Fund	\$ 5,282,882.04	\$ 3,297,626.19	\$ 468,974.25	\$ -	\$ 468,974.25	\$ 5,053,776.90	\$ 3,526,731.33
Capital Projects Fund							
Capital Project Road Fund	\$ 202,597.19	\$ -	\$ -	\$ -	\$ -	\$ 20,000.00	182,597.19
Total Capital Projects Fund	\$ 202,597.19	\$ -	\$ -	\$ -	\$ -	\$ 20,000.00	\$ 182,597.19
Debt Service Fund							
County Bond	\$ 95,385.06	\$ 327,256.06	\$ -	\$ -	\$ -	\$ 206,106.00	\$ 216,535.12
County Bond 2017	-	134.27	-	5,045,173.50	-	1,836,538.83	3,208,768.94
Total Debt Service Fund	\$ 95,385.06	\$ 327,390.33	\$ -	\$ 5,045,173.50	\$ -	\$ 2,042,644.83	\$ 3,425,304.06
Total Governmental Funds	\$ 8,023,796.18	\$ 5,007,142.67	\$ 622,173.92	\$ 5,045,173.50	\$ 622,173.92	\$ 8,752,410.76	\$ 9,323,701.59

Continued on next page...

STEELE COUNTY
Schedule of Fund Activity - Cash Basis - Continued

Continued...

	Balance Jan 1	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance Dec 31
Agency Funds							
Job Development Authority	\$ 19,848.90	\$ 77,541.36	\$ -	\$ -	\$ -	\$ 73,854.02	\$ 23,536.24
Senior Citizens	7,939.56	55,699.93	-	-	-	54,224.98	9,414.51
Historical Society	5,954.69	22,490.87	-	-	-	21,384.66	7,060.90
State Tax	7,939.56	1,474.95	-	-	-	-	9,414.51
Civil Filing Fees	1,250.00	-	-	-	-	-	1,250.00
Victim Advocacy	1,850.00	-	-	-	-	-	1,850.00
Court Costs	400.00	-	-	-	-	-	400.00
Payroll Deductions	(12,651.96)	-	-	-	-	(284.95)	(12,367.01)
Estimated Tax	855.08	13,254.93	-	-	-	13,254.93	855.08
Mobile Home Tax	1,132.83	-	-	-	-	-	1,132.83
Steele County Soil Conservation	7,939.56	30,619.94	-	-	-	29,144.99	9,414.51
Emergency Medical Services	33,796.81	113,368.41	-	-	-	106,776.78	40,388.44
Total Cities	75,764.36	501,374.87	-	-	-	491,445.55	85,693.68
Total Parks	11,501.08	66,596.80	-	-	-	65,329.05	12,768.83
Total Schools	596,237.43	2,271,103.27	-	-	-	2,139,526.56	727,814.14
Total Townships	170,308.62	785,054.81	-	-	-	739,955.26	215,408.17
Total Water Resource District	145,478.75	394,950.62	-	-	-	389,467.37	150,962.00
Total Rural Fire Districts	43,392.19	209,182.03	-	-	-	199,626.67	52,947.55
Total Agency Funds	\$ 1,118,937.46	\$ 4,542,712.79	\$ -	\$ -	\$ -	\$ 4,323,705.87	\$ 1,337,944.38
Total Primary Government	\$ 9,142,733.64	\$ 9,549,855.46	\$ 622,173.92	\$ 5,045,173.50	\$ 622,173.92	\$ 13,076,116.63	\$ 10,661,645.97

STATE AUDITOR

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OFFICE OF THE STATE AUDITOR
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1655 43RD STREET SOUTH, SUITE 203
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

Board of County Commissioners
Steele County
Finley, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Steele County's basic financial statements, and have issued our report thereon dated January 15, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying *summary of auditor's results and findings* as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

STEELE COUNTY

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Steele County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *summary of auditor's results and findings* as item 2017-003.

Steele County's Response to Findings

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

Purpose of this Report

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 15, 2019

STEELE COUNTY

Summary of Auditor's Results and Findings
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified? Yes None Noted

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

Noncompliance material to financial statements noted? Yes None Noted

Section II - Financial Statement Findings

2017-001 – FINANCIAL STATEMENT PREPARATION

Condition

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

Criteria

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

Cause

This deficiency is due to limited resources coupled with the fact that Steele County may not know how to prepare basic financial statements that comply with GAAP. Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

Effect

Steele County's management is aware of the deficiency and addresses it by recording the underlining trial balance, as well as reviewing and approving the adjusting journal entries. However, as of December 31, 2017, SAO assisted management with preparation of the financial statements.

Recommendation

We recognize Steele County is not staffed with personnel fully knowledgeable of GAAP. However, it is important that they are aware of this weakness and that management accepts responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP, even if the auditor assisted in drafting those financial statements.

STEELE COUNTY

Summary of Auditor's Results and Findings - Continued

Steele County's Response

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

2017-002 – ADJUSTING JOURNAL ENTRIES

Condition

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

Criteria

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

Cause

Management of Steele County does not have adequate resources to obtain proper internal controls and training to ensure fair presentation of the County's financial statements in accordance with GAAP.

Effect

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

Recommendation

We recognize Steele County is not staffed with personnel fully knowledgeable of GAAP. However, it is important that they are aware of this weakness and that management accepts responsibility for the audit adjustments.

Steele County's Response

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

2017-003 – BOND COVENANT

Condition

Steele County did not create a separate Construction Fund to pay for project costs related to the General Obligation Highway Bonds, Series 2017. Project costs were paid out of the Bond Fund.

Criteria

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

STEELE COUNTYSummary of Auditor's Results and Findings - Continued

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

Cause

The County auditor was unaware that a separate Construction Fund needed to be created.

Effect

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

Recommendation

We recommend Steele County set up a separate Construction Fund to pay for project costs, transfer the bond proceeds to this fund from the Bond fund, and make sure that the County stays in compliance with all of their bond covenants. We also recommend that someone other than the auditor should periodically check to see if the County is in violation of any current covenants.

Steele County's Response

Agree. We will create a Construction Fund and fix this as soon as possible.

STATE AUDITOR

JOSHUA C. GALLION
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GOVERNANCE COMMUNICATION

Board of County Commissioners
Steele County
Finley, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Steele County, North Dakota, for the year ended December 31, 2017 which collectively comprise Steele County's basic financial statements, and have issued our report thereon dated January 15, 2019. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated October 15, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

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

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Steele County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

STEELE COUNTY

Governance Communication – Continued

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below titled “Audit Adjustments” lists all misstatements detected as a result of audit procedures that were corrected by management.

PRIMARY GOVERNMENT			
Client Provided Adjustments			
Intergovernmental Receivable	\$	146,387	
Revenue			\$ 146,387
Expenditures		152,517	
Accounts Payable			145,418
Salaries Payable			7,099
Audit Adjustments			
Revenue	\$	684,386	
Grants Received in Advance			\$ 2,055
Taxes Received in Advance			654,635
Due to Other Governments			27,696
Prepaid Expenditures		351,050	
Expenditures			351,050
Capital Assets		942,018	
Net Position			942,018
Net Position		351,050	
Capital Assets			351,050
Expenses		969,773	
Capital Contributions			942,018
Retainage Payable			27,755
WATER RESOURCE DISTRICT			
Audit Adjustments			
Expenses	\$	2,450	
Accounts Payable			\$ 2,450
JOB DEVELOPMENT AUTHORITY			
Audit Adjustments			
Net Position	\$	4,105	
Unrealized Gain on Investments			\$ 4,105
Expenses		18,234	
Accounts Payable			18,234

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 15, 2019.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

The following presents our informal recommendations:

* * * * *

SEGREGATION OF DUTIES – COMPONENT UNITS

The Steele County Water Resource District and Steele County Job Development Authority each have limited staff members responsible for the primary accounting functions. A lack of segregation of duties exists as the limited number of employees are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations. The lack of adequate segregation of duties in the check writing and mailing process for Steele County Water Resource District and Steele County Job Development Authority exposes these entities to risk of loss of assets, potential liabilities, and damage to the reputation of these entities, whether due to error or fraud.

GAO Standards for Internal Control section 10 states in part: management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk. Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Due to the size and limited resources of the Steele County Water Resource District and Steele County Job Development Authority, it is not economically feasible to hire additional staff to obtain proper separation of duties.

* * * * *

STEELE COUNTY

Governance Communication – Continued

This information is intended solely for the use of the Board of County Commissioners and management of Steele County, is not intended to be, and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Steele County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Steele County.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
January 15, 2019

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