



ROBERT R. PETERSON
STATE AUDITOR

Steele County

Finley, North Dakota

Audit Report

For the Years Ended
December 31, 2014 and 2013

Office of the State Auditor

STEELE COUNTY
Finley, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2014 and 2013

	<u>Page(s)</u>
County Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
<u>2014</u>	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
<u>2013</u>	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet - Governmental Funds	12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Statement of Fiduciary Assets and Liabilities - Agency Funds - 2014 & 2013	16
Notes to the Financial Statements	17 - 34

STEELE COUNTYTable of Contents - Continued

	<u>Page(s)</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	35 - 48
Notes to the Required Supplementary Information	49 - 50
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity	51 - 53
Schedule of Expenditures of Federal Awards - 2013	54
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	55 - 56
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	57 - 58
Schedule of Findings and Questioned Costs	59 - 60
Management's Letter	61 - 64

STEELE COUNTY
Finley, North Dakota

COUNTY OFFICIALS

Current

Chairman	Ted Johnson
Vice-Chairman	Lance Fugleberg
Commissioner	Randy Richards
Commissioner	Russell Walcker
Commissioner	Brian Tuite
County Auditor	Emily Wigen
County Treasurer	Kari Crawford
County Recorder	Michelle Newman
Clerk of Court	Michelle Newman
Tax Director	Tasha Krueger
Sheriff	Wayne Beckman
State's Attorney	Charles Stock

December 31, 2014

Chairman	Randy Richards
Vice-Chairman	Ted Johnson
Commissioner	Lance Fugleberg
Commissioner	Russell Walcker
Commissioner	Brian Tuite
County Auditor	Tasha Krueger
County Treasurer	Kari Crawford
County Recorder	Michelle Newman
Clerk of Court	Michelle Newman
Tax Director	Tasha Krueger
Sheriff	Wayne Beckman
State's Attorney	Charles Stock

December 31, 2013

Chairman	Jane Amundson
Vice-Chairman	Randy Richards
Commissioner	Ted Johnson
Commissioner	Dennis Lindstrom
Commissioner	Lance Fugleberg
County Auditor	Elisha Washburn
County Treasurer	Kari Crawford
County Recorder	Michelle Newman
Clerk of Court	Michelle Newman
Tax Director	Tasha Krueger
Sheriff	Wayne Beckman
State's Attorney	Charles Stock

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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, Finley, North Dakota, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's 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, Finley, North Dakota, as of December 31, 2014 and 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

STEELE COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 35-48 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.

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 arising from cash transactions and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of fund activity arising from cash transactions and schedule of expenditures of federal awards* 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 arising from cash transactions and the schedule of expenditures of federal awards* are 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 14, 2016 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.



Robert R. Peterson
State Auditor

January 14, 2016

STEELE COUNTY
Finley, North Dakota

STATEMENT OF NET POSITION
December 31, 2014

	Primary Government		
	Governmental Activities	Component Units	
		Water Resource District	Job Development Authority
ASSETS			
Cash, cash equivalents and investments	\$ 6,610,353	\$ 429,167	\$ 511,388
Intergovernmental receivable	198,323	-	-
Accounts receivable	4,328	-	-
Road accounts receivable	25,319	-	-
Taxes receivable	43,688	1,616	1,253
Intangible Assets (not being depreciated):			
Land Easements	-	58,200	-
Capital Assets (not being depreciated):			
Land	5,425	71,923	-
Capital Assets (net of accumulated depreciation):			
Vehicles	27,709	-	-
Machinery & Equipment	551,998	-	-
Buildings	543,724	-	-
Infrastructure	6,029,635	808,955	-
Total Capital Assets	<u>\$ 7,158,491</u>	<u>\$ 880,878</u>	<u>\$ -</u>
Total Assets	<u>\$ 14,040,502</u>	<u>\$ 1,369,861</u>	<u>\$ 512,641</u>
LIABILITIES			
<u>Current Liabilities:</u>			
Accounts payable	\$ 295,442	\$ 2,962	\$ -
Salaries and benefits payable	4,527	55	-
Grants received in advance	320,125	-	-
Interest payable	14,839	8,232	-
<u>Non-Current Liabilities:</u>			
Due Within One Year:			
Loans payable	-	17,083	-
Bonds payable	120,000	56,000	-
Leases payable			
Compensated absences payable	2,362	138	61
Due After One Year:			
Loans payable	-	74,835	-
Bonds payable	2,650,000	368,000	-
Compensated absences payable	21,255	1,242	545
Total Liabilities	<u>\$ 3,428,550</u>	<u>\$ 528,547</u>	<u>\$ 606</u>
NET POSITION			
Net Investment in Capital Assets	\$ 4,388,491	\$ -	\$ -
Restricted for:			
Debt service	87,642	-	-
Public safety	2,678,609	-	-
Highways and bridges	60,225	-	-
Health and welfare	395,647	-	-
Culture and recreation	47,245	-	-
Conservation of natural resources	256,765	841,314	-
Emergencies	317,540	-	-
Flood control	1,366,316	-	-
Economic development	-	-	512,035
Unrestricted	<u>1,013,472</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 10,611,952</u>	<u>\$ 841,314</u>	<u>\$ 512,035</u>

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

STEELE COUNTY
Finley, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units Water Resource District Job Development Authority	
Primary Government:							
General government	\$ 1,252,225	\$ 71,418	\$ -	\$ -	\$ (1,180,807)		
Public safety	279,885	64,948	12,640	-	(202,297)		
Highways and bridges	2,561,263	163,382	2,368,179	2,105,021	2,075,319		
Flood repairs	54,949	-	-	-	(54,949)		
Health and welfare	372,770	47,560	31,663	-	(293,547)		
Conserv. of natural resources	49,424	-	54,949	-	5,525		
Culture and recreation	118,440	26,006	5,000	-	(87,434)		
Interest	92,457	-	-	-	(92,457)		
Total Governmental Activities	\$ 4,781,413	\$ 373,314	\$ 2,472,431	\$ 2,105,021	\$ 169,353		
Component Units:							
Water resource district	\$ 141,129	\$ -	\$ -	\$ -	\$ (141,129)	\$ -	
Job development authority	133,207	-	-	-	-	-	(133,207)
Total Component Units	\$ 274,336	\$ -	\$ -	\$ -	\$ (141,129)	\$ (133,207)	
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					\$ 620,127	\$ 295,885	\$ 72,626
Property taxes; levied for special purposes					1,814,692	-	-
Property taxes; levied for debt service					1,934	-	-
Sales taxes					205,987	-	-
Grants and contributions not restricted to specific programs					416,316	5,929	-
Unrestricted investment earnings					15,673	572	1,820
Miscellaneous revenue					111,876	1,648	38,513
Unrealized gain (loss) on investments					-	-	(864)
Total General Revenues					\$ 3,186,605	\$ 304,034	\$ 112,095
Change in Net Position					\$ 3,355,958	\$ 162,905	\$ (21,112)
Net Position - January 1					\$ 7,255,994	\$ 678,409	\$ 533,147
Net Position - December 31					\$ 10,611,952	\$ 841,314	\$ 512,035

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

STEELE COUNTY
Finley, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2014

	General	County Sales Tax	Farm to Market Road	Road Constr.	County Road & Bridge	Highway Tax Distribution	FEMA	Other Governmental Funds	Total Governmental Funds
ASSETS:									
Cash and cash equivalents	\$ 1,209,475	\$ 633,429	\$ 811,380	\$ 561,433	\$ -	\$ 605,202	\$ 380,350	\$ 2,409,084	\$ 6,610,353
Intergovernmental receivable	77,342	36,189	7,468	-	7,587	42,516	-	27,221	198,323
Accounts receivable	4,328	-	-	-	-	-	-	-	4,328
Road receivable	-	-	-	-	25,319	-	-	-	25,319
Due from other funds	27,041	-	237,705	-	-	-	-	-	264,746
Taxes receivable	11,005	-	4,615	-	3,117	-	-	24,951	43,688
Total Assets and Deferred Outflows of Resources	\$ 1,329,191	\$ 669,618	\$ 1,061,168	\$ 561,433	\$ 36,023	\$ 647,718	\$ 380,350	\$ 2,461,256	\$ 7,146,757
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ 252,000	\$ -	\$ -	\$ 43,442	\$ -	\$ -	\$ -	\$ 295,442
Salaries payable	-	-	-	-	4,527	-	-	-	4,527
Due to other funds	-	-	-	-	237,705	-	-	27,041	264,746
Grants received in advance	-	-	-	-	-	-	320,125	-	320,125
Total Liabilities	\$ -	\$ 252,000	\$ -	\$ -	\$ 285,674	\$ -	\$ 320,125	\$ 27,041	\$ 884,840
Deferred Inflows of Resources:									
Road receivable	\$ -	\$ -	\$ -	\$ -	\$ 25,319	\$ -	\$ -	\$ -	\$ 25,319
Taxes receivable	11,005	-	4,615	-	3,117	-	-	24,951	43,688
Total Deferred Inflows of Resources	11,005	-	4,615	-	28,436	-	-	24,951	69,007
Total Liabilities and Deferred Inflows of Resources	\$ 11,005	\$ 252,000	\$ 4,615	\$ -	\$ 314,110	\$ -	\$ 320,125	\$ 51,992	\$ 953,847
Fund Balances:									
Restricted for:									
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,130	\$ 91,130
Highways and bridges	-	-	1,056,553	561,433	-	647,718	-	383,799	2,649,503
Flood control	-	-	-	-	-	-	60,225	-	60,225
Health and welfare	-	-	-	-	-	-	-	397,751	397,751
Culture and recreation	-	-	-	-	-	-	-	46,838	46,838
Conservation of natural resources	-	-	-	-	-	-	-	255,040	255,040
Emergencies	-	-	-	-	-	-	-	316,115	316,115
General government	-	417,618	-	-	-	-	-	945,030	1,362,648
Debt service	-	-	-	-	-	-	-	602	602
Unassigned:	1,318,186	-	-	-	(278,087)	-	-	(27,041)	1,013,058
Total Fund Balances	\$ 1,318,186	\$ 417,618	\$ 1,056,553	\$ 561,433	\$ (278,087)	\$ 647,718	\$ 60,225	\$ 2,409,264	\$ 6,192,910
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,329,191	\$ 669,618	\$ 1,061,168	\$ 561,433	\$ 36,023	\$ 647,718	\$ 380,350	\$ 2,461,256	\$ 7,146,757

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

STEELE COUNTY
Finley, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2014

Total *Fund Balances* of Governmental Funds \$ 6,192,910

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	\$ 9,333,324	
Less Accumulated Depreciation	<u>(2,174,833)</u>	7,158,491

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.

Property Taxes Receivable	\$ 43,688	
Road Department Accounts Receivable	<u>25,319</u>	69,007

Long-term liabilities applicable to the county's governmental activities 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. Balances at December 31, 2014 are:

Bonds Payable	\$ (2,770,000)	
Interest Payable	(14,839)	
Compensated Absences Payable	<u>(23,617)</u>	<u>(2,808,456)</u>

Total Net Position of Governmental Activities		<u><u>\$ 10,611,952</u></u>
---	--	-----------------------------

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

STEELE COUNTY
Finley, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General	County Sales Tax	Farm to Market Road	Road Construction	County Road & Bridge	Highway Tax Distribution	FEMA	Other Governmental Funds	Total Governmental Funds
Revenues:									
Property tax	\$ 618,324	\$ -	\$ 246,181	\$ -	\$ 159,259	\$ -	\$ -	\$ 1,405,774	\$ 2,429,538
Sales tax	-	205,987	-	-	-	-	-	-	205,987
Intergovernmental	277,904	-	26,336	2,011,164	26,434	357,015	54,949	134,944	2,888,746
Charges for services	140,087	-	-	-	145,072	-	-	75,526	360,685
Interest income	15,673	-	-	-	-	-	-	-	15,673
Miscellaneous	54,684	-	-	-	2,067	-	-	55,125	111,876
Total Revenues	\$ 1,106,672	\$ 205,987	\$ 272,517	\$ 2,011,164	\$ 332,832	\$ 357,015	\$ 54,949	\$ 1,671,369	\$ 6,012,505
Expenditures:									
Current:									
General government	\$ 563,932	\$ 252,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 419,499	\$ 1,235,431
Public safety	222,621	-	-	-	-	-	-	50,590	273,211
Highways and bridges	-	-	-	2,424,724	910,702	-	-	1,275	3,336,701
Flood repair	-	-	-	-	-	-	54,949	-	54,949
Health and welfare	67,017	-	-	-	-	-	-	304,870	371,887
Culture and recreation	-	-	-	-	-	-	-	40,909	40,909
Conserv. of natural resources	38,786	-	-	-	-	-	-	76,034	114,820
Debt Service:									
Principal	-	-	-	-	-	-	-	130,000	130,000
Interest	-	-	-	-	-	-	-	112,491	112,491
Total Expenditures	\$ 892,356	\$ 252,000	\$ -	\$ 2,424,724	\$ 910,702	\$ -	\$ 54,949	\$ 1,135,668	\$ 5,670,399
Excess (Deficiency) of Revenues Over Expenditures	\$ 214,316	\$ (46,013)	\$ 272,517	\$ (413,560)	\$ (577,870)	\$ 357,015	\$ -	\$ 535,701	\$ 342,106
Other Financing Sources (Uses):									
Transfers in	\$ -	\$ -	\$ -	\$ 747,039	\$ -	\$ -	\$ -	\$ -	\$ 747,039
Transfers out	-	-	(713,000)	-	(34,039)	-	-	-	(747,039)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (713,000)	\$ 747,039	\$ (34,039)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ 214,316	\$ (46,013)	\$ (440,483)	\$ 333,479	\$ (611,909)	\$ 357,015	\$ -	\$ 535,701	\$ 342,106
Fund Balances - January 1	\$ 1,103,870	\$ 463,631	\$ 1,497,036	\$ 227,954	\$ 333,822	\$ 290,703	\$ 60,225	\$ 1,873,563	\$ 5,850,804
Fund Balances - December 31	\$ 1,318,186	\$ 417,618	\$ 1,056,553	\$ 561,433	\$ (278,087)	\$ 647,718	\$ 60,225	\$ 2,409,264	\$ 6,192,910

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

STEELE COUNTY
Finley, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ 342,106

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. This is the amount by which capital outlay and capital contribution exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 1,076,419	
Capital Contribution	2,105,021	
Current Year Depreciation Expense	<u>(362,579)</u>	2,818,861

The net effect of a miscellaneous transaction involving capital assets is to decrease net capital assets. (19,286)

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

Repayment of Debt - Loans 130,000

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

Net Decrease in Retainage Payable	\$ 46,053	
Net Decrease in Interest Payable	20,034	
Net Increase in Compensated Absences	<u>(1,655)</u>	64,432

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. This consists of the following:

Net Increase in Taxes Receivable	\$ 7,215	
Net Increase in Road Accounts Receivable	<u>12,630</u>	<u>19,845</u>

Change in Net Position of Governmental Activities \$ 3,355,958

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

STEELE COUNTY
Finley, North Dakota

STATEMENT OF NET POSITION
December 31, 2013

	Primary	Component Units	
	Government	Water	Job
	Governmental	Resource	Development
	Activities	District	Authority
ASSETS			
Cash, cash equivalents and investments	\$ 6,300,845	\$ 318,748	\$ 532,655
Intergovernmental receivable	273,965	-	-
Road accounts receivable	12,689	-	-
Taxes receivable	36,473	1,553	1,263
Intangible Assets (not being depreciated):			
Land easements	-	58,200	-
Capital Assets (not being depreciated):			
Land	5,425	71,923	-
Construction in progress	2,386,143	-	-
Capital Assets (net of accumulated depreciation):			
Vehicles	46,689	-	-
Machinery & equipment	415,480	-	-
Buildings	561,010	-	-
Infrastructure	944,169	827,768	-
Total Capital Assets	\$ 4,358,916	\$ 899,691	\$ -
Total Assets	\$ 10,982,888	\$ 1,278,192	\$ 533,918
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 23,269	\$ 788	\$ -
Salaries and benefits payable	6,663	56	-
Grants received in advance	336,328	-	-
Retainage payable	46,053	-	-
Interest payable	34,873	9,337	-
Non-Current Liabilities:			
Due Within One Year:			
Loans payable	-	16,199	-
Bonds payable	130,000	56,000	-
Compensated absences payable	2,196	152	77
Due After One Year:			
Loans payable	-	91,881	-
Bonds payable	2,770,000	424,000	-
Compensated absences payable	19,766	1,370	694
Total Liabilities	\$ 3,369,148	\$ 599,783	\$ 771
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	\$ 357,746	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 1,458,916	\$ -	\$ -
Restricted for:			
Debt service	64,042	-	-
Public safety	2,544,092	-	-
Highways and bridges	72,914	-	-
Health and welfare	331,483	-	-
Culture and recreation	24,032	-	-
Conservation of natural resources	195,436	678,409	-
Emergencies	239,719	-	-
Flood control	1,264,164	-	-
Economic development	-	-	533,147
Unrestricted	1,061,196	-	-
Total Net Position	\$ 7,255,994	\$ 678,409	\$ 533,147

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

STEELE COUNTY
Finley, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Job Development Authority
Primary Government:							
General government	\$ 905,084	\$ 84,621	\$ -	\$ -	\$ (820,463)		
Public safety	366,171	60,257	32,247	-	(273,667)		
Highways and bridges	3,540,043	149,056	1,195,071	2,147,529	(48,387)		
Flood repairs	9,838	-	-	-	(9,838)		
Health and welfare	351,503	54,297	43,263	-	(253,943)		
Conserv. of natural resources	33,772	-	9,838	-	(23,934)		
Culture and recreation	157,094	44,910	8,545	-	(103,639)		
Interest	35,059	-	-	-	(35,059)		
Total Governmental Activities	\$ 5,398,564	\$ 393,141	\$ 1,288,964	\$ 2,147,529	\$ (1,568,930)		
Component Units:							
Water resource district	\$ 211,860	\$ -	\$ 323,532	\$ -		\$ 111,672	\$ -
Job development authority	92,383	-	-	-		-	(92,383)
Total Component Units	\$ 304,243	\$ -	\$ 323,532	\$ -		\$ 111,672	\$ (92,383)
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					\$ 479,930	\$ 75,470	\$ 68,609
Property taxes; levied for special purposes					1,319,293	178,563	-
Property taxes; levied for debt service					1,934	-	-
Sales taxes					174,886	-	-
Grants and contributions not restricted to specific programs					387,209	20,769	-
Unrestricted investment earnings					15,056	851	2,298
Miscellaneous revenue					83,101	4,158	39,322
Unrealized gain (loss) on investments					-	-	(763)
Total General Revenues					\$ 2,461,409	\$ 279,811	\$ 109,466
Change in Net Position					\$ 892,479	\$ 391,483	\$ 17,083
Net Position - January 1					\$ 6,678,110	\$ 286,926	\$ 609,788
Prior Period Adjustment					(314,595)	-	(93,724)
Net Position - January 1, as restated					\$ 6,363,515	\$ 286,926	\$ 516,064
Net Position - December 31					\$ 7,255,994	\$ 678,409	\$ 533,147

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

STEELE COUNTY
Finley, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013

	General	County Sales Tax	Farm to Market Road	Road Constr.	County Road & Bridge	Highway Tax Distribution	FEMA	Other Governmental Funds	Total Governmental Funds
ASSETS:									
Cash and cash equivalents	\$ 1,105,269	442,759	\$ 1,525,111	\$ 132,600	\$ 372,594	\$ 252,646	\$ 396,553	\$ 2,073,313	\$ 6,300,845
Intergovernmental receivable	71,190	20,872	8,621	95,354	8,748	38,057	-	31,123	273,965
Road receivable	-	-	-	-	12,689	-	-	-	12,689
Due from other fund	17,008	-	-	-	-	-	-	-	17,008
Taxes receivable	9,201	-	4,267	-	3,250	-	-	19,755	36,473
Total Assets	\$ 1,202,668	\$ 463,631	\$ 1,537,999	\$ 227,954	\$ 397,281	\$ 290,703	\$ 396,553	\$ 2,124,191	\$ 6,640,980
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 17,045	\$ -	\$ -	\$ 6,224	\$ 23,269
Salaries payable	-	-	-	-	6,663	-	-	-	6,663
Due to other fund	-	-	-	-	-	-	-	17,008	17,008
Grants received in advance	-	-	-	-	-	-	336,328	-	336,328
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ 23,708	\$ -	\$ 336,328	\$ 23,232	\$ 383,268
Deferred Inflows of Resources:									
Road receivable	\$ -	\$ -	\$ -	\$ -	\$ 12,689	\$ -	\$ -	\$ -	\$ 12,689
Taxes received in advance	89,597	-	36,696	-	23,812	-	-	207,641	357,746
Taxes receivable	9,201	-	4,267	-	3,250	-	-	19,755	36,473
Total Deferred Inflows of Resources	98,798	-	40,963	-	39,751	-	-	227,396	406,908
Total Liabilities and Deferred Inflows of Resources	\$ 98,798	\$ -	\$ 40,963	\$ -	\$ 63,459	\$ -	\$ 336,328	\$ 250,628	\$ 790,176
Fund Balances:									
Restricted for:									
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,178	\$ 69,178
Highways and bridges	-	-	1,497,036	227,954	333,822	290,703	-	237,476	2,586,991
Flood control	-	-	-	-	-	-	60,225	-	60,225
Health and welfare	-	-	-	-	-	-	-	332,845	332,845
Culture and recreation	-	-	-	-	-	-	-	23,683	23,683
Conservation of natural resources	-	-	-	-	-	-	-	194,666	194,666
Emergencies	-	-	-	-	-	-	-	237,976	237,976
General government	-	463,631	-	-	-	-	-	794,741	1,258,372
Debt service	-	-	-	-	-	-	-	6	6
Unassigned:	1,103,870	-	-	-	-	-	-	(17,008)	1,086,862
Total Fund Balances	\$ 1,103,870	\$ 463,631	\$ 1,497,036	\$ 227,954	\$ 333,822	\$ 290,703	\$ 60,225	\$ 1,873,563	\$ 5,850,804
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,202,668	\$ 463,631	\$ 1,537,999	\$ 227,954	\$ 397,281	\$ 290,703	\$ 396,553	\$ 2,124,191	\$ 6,640,980

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

STEELE COUNTY
Finley, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2013

Total *Fund Balances* of Governmental Funds \$ 5,850,804

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	\$ 6,219,384	
Less Accumulated Depreciation	<u>(1,860,468)</u>	4,358,916

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.

Property Taxes Receivable	\$ 36,473	
Road Department Accounts Receivable	<u>12,689</u>	49,162

Long-term liabilities applicable to the county's governmental activities 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. Balances at December 31, 2013 are:

Bonds Payable	\$ (2,900,000)	
Interest Payable	(34,873)	
Compensated Absences Payable	(21,962)	
Retainage Payable	<u>(46,053)</u>	<u>(3,002,888)</u>

Total Net Position of Governmental Activities \$ 7,255,994

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

STEELE COUNTY
Finley, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	General	County Sales Tax	Farm to Market Road	Road Constr.	County Road & Bridge	Highway Tax Distribution	FEMA	Other Governmental Funds	Total Governmental Funds
Revenues:									
Property tax	\$ 478,868	\$ -	\$ 211,533	\$ -	\$ 160,170	\$ -	\$ -	\$ 947,394	\$ 1,797,965
Sales tax	-	174,886	-	-	-	-	-	-	174,886
Intergovernmental	269,442	-	737,093	95,354	66,765	352,183	9,838	145,499	1,676,174
Charges for services	168,605	-	-	-	177,225	-	-	75,479	421,309
Interest income	15,056	-	-	-	-	-	-	-	15,056
Miscellaneous	33,819	-	-	-	1,798	-	-	47,484	83,101
Total Revenues	\$ 965,790	\$ 174,886	\$ 948,626	\$ 95,354	\$ 405,958	\$ 352,183	\$ 9,838	\$ 1,215,856	\$ 4,168,491
Expenditures:									
Current:									
General government	\$ 484,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 404,903	\$ 889,020
Public safety	322,545	-	-	-	-	-	-	50,161	372,706
Highways and bridges	-	-	9,540	2,736,823	840,458	-	-	6,049	3,592,870
Flood repair	-	-	-	-	-	-	9,838	-	9,838
Health and welfare	68,771	-	-	-	-	-	-	283,041	351,812
Culture and recreation	-	-	-	-	-	-	-	60,257	60,257
Conserv. of natural resources	36,290	-	-	-	-	-	-	117,184	153,474
Debt Service:									
Principal	8,537	-	-	-	-	-	-	-	8,537
Interest	186	-	-	-	-	-	-	-	186
Total Expenditures	\$ 920,446	\$ -	\$ 9,540	\$ 2,736,823	\$ 840,458	\$ -	\$ 9,838	\$ 921,595	\$ 5,438,700
Excess (Deficiency) of Revenues Over Expenditures	\$ 45,344	\$ 174,886	\$ 939,086	\$ (2,641,469)	\$ (434,500)	\$ 352,183	\$ -	\$ 294,261	\$ (1,270,209)
Other Financing Sources (Uses):									
Bond proceeds	\$ -	\$ -	\$ -	\$ 2,900,000	\$ -	\$ -	\$ -	\$ -	\$ 2,900,000
Bond discount	-	-	-	(30,577)	-	-	-	-	(30,577)
Transfers in	34,625	-	-	-	718,446	-	-	-	753,071
Transfers out	-	-	-	-	-	(718,446)	-	(34,625)	(753,071)
Total Other Financing Sources and Uses	\$ 34,625	\$ -	\$ -	\$ 2,869,423	\$ 718,446	\$ (718,446)	\$ -	\$ (34,625)	\$ 2,869,423
Net Change in Fund Balances	\$ 79,969	\$ 174,886	\$ 939,086	\$ 227,954	\$ 283,946	\$ (366,263)	\$ -	\$ 259,636	\$ 1,599,214
Fund Balances - January 1	\$ 1,023,901	\$ 288,745	\$ 557,950	\$ -	\$ 49,876	\$ 656,966	\$ 393,570	\$ 1,613,927	\$ 4,584,935
Prior Period Adjustment	-	-	-	-	-	-	(333,345)	-	(333,345)
Fund Balance - Jan. 1, as restated	\$ 1,023,901	\$ 288,745	\$ 557,950	\$ -	\$ 49,876	\$ 656,966	\$ 60,225	\$ 1,613,927	\$ 4,251,590
Fund Balances - December 31	\$ 1,103,870	\$ 463,631	\$ 1,497,036	\$ 227,954	\$ 333,822	\$ 290,703	\$ 60,225	\$ 1,873,563	\$ 5,850,804

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

STEELE COUNTY
Finley, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ 1,599,214

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. This is the amount by which capital outlay and capital contributions exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 306,762	
Capital Contribution	2,147,529	
Current Year Depreciation Expense	<u>(216,554)</u>	2,237,737

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is amount by which debt proceeds exceeded debt repayment.

Bond Proceeds	\$ (2,900,000)	
Repayment of Debt - Loans	<u>8,537</u>	(2,891,463)

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

Net Decrease in Contract Payable	\$ 55,738	
Net Increase in Retainage Payable	(46,053)	
Net Increase in Interest Payable	(34,873)	
Net Increase in Compensated Absences	<u>(2,844)</u>	(28,032)

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. This consists of the following:

Net Increase in Taxes Receivable	\$ 3,192	
Net Decrease in Road Accounts Receivable	<u>(28,169)</u>	(24,977)

Change in Net Position of Governmental Activities \$ 892,479

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

STEELE COUNTY
Finley, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
AGENCY FUNDS
December 31, 2014 and 2013

	<u>Agency Funds</u>	
	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and cash equivalents	<u>\$ 987,349</u>	<u>\$ 609,530</u>
<u>LIABILITIES</u>		
Due to other governments	<u>\$ 987,349</u>	<u>\$ 609,530</u>

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

STEELE COUNTY
Finley, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Steele 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 Steele 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 Steele 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 Steele County.

Based on these criteria, there are two component units to be included within Steele 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 - 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. Complete financial statements of the individual component unit can be obtained from the Secretary-Treasurer, Steele County Water Resource District, P.O. Box 231, Finley, North Dakota, 58230.

Steele County 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. Complete financial statements of the individual component unit can be obtained from the Secretary-Treasurer, Steele County Job Development Authority, P.O. Box 451, Finley, North Dakota, 58230.

STEELE COUNTY

Notes to the Financial Statements - Continued

Related Organizations - The County is accountable for the following legally separate entities because it appoints a voting majority to their governing boards. Although the county is not financially accountable for these entities, as defined by GASB Statement 14, the county did provide operating grants as follows:

	2014	2013
Historical Society	\$19,806	\$18,683
Senior Citizens	48,065	41,103

B. Basis of Presentation

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

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

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

County Sales Tax Fund. This fund accounts for the collection of county sales tax revenue received from the State Treasurer. The primary revenue source in this fund includes restricted sales tax dollars.

Farm to Market Road Fund. This fund accounts for the costs of constructing and maintaining federal aid farm to market roads within the county. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements

Road Construction Fund. This fund accounts for the construction and repair costs of County Road. The major source of revenue is a restricted bond.

County Road and Bridge Fund. This fund accounts for the maintenance and repair of roads within the county. The major sources of revenue are a restricted tax levy and State/Federal grants/reimbursements.

STEELE COUNTY

Notes to the Financial Statements - Continued

Highway Tax Distribution Fund. This fund accounts for the Highway Tax Distribution from the State to be used for the maintenance and repair of roads within the county. The major source of revenue is restricted state highway tax funds

FEMA Fund. This fund accounts for state and federal grants for flood disaster related repairs to roads and the related disbursements. The major primary source of revenue is restricted Federal and State grants/reimbursements.

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, 2014 and 2013 consist of certificates of deposit stated at fair value.

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.

General infrastructure assets acquired prior to January 1, 2005 consisting of various road and bridge network assets are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2005 as a Phase III GASB 34 implementation entity. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

WATER RESOURCE DISTRICT:

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

Asset	Years
Land	Indefinite
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.

STEELE COUNTY

Notes to the Financial Statements - Continued

County Employees	Mo. Hours	Road Dept.	Mo. Hours
1 through 4 years	7.5	1 through 4 years	8
5 through 8 years	10	5 through 8 years	10.5
9 through 13 years	12	9 through 13 years	12.5
14 through 19 years	14	14 through 19 years	14.5
20 years and above	16	20 years and above	16.5

Social Services	Mo. Hours
1 through 3 years	8
4 through 7 years	10
8 through 12 years	12
13 through 18 years	14
19 years and above	16

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.

H. Fund Balances / Net Position

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of Steele 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.

Minimum Fund Balance Policy:

Steele 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. Unassigned general fund balance of \$1,318,186 at December 31, 2014 represented 148% of 2014 expenditures, and unassigned general fund balance of \$1,103,870 at December 31, 2013 represented 120% of 2013 expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (county sales tax, farm to market road, road construction, county road and bridge, highway tax distribution, and FEMA) are disclosed in more detail in Note 1B in the discussion of major funds.

STEELE COUNTY

Notes to the Financial Statements - Continued

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

Steele County did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2014 and 2013.

Restricted Fund Balances – consist of the following items at December 31, 2014 and 2013:

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, flood control, health & welfare, culture & recreation, conservation of natural resources, emergencies, debt service, and general government purposes (health insurance, insurance reserve, veteran's service officer, and social security). Restricted fund balances are restricted by enabling legislation (primarily state law for various tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements and bond indentures). Total restricted balances were \$5,179,852 at December 31, 2014, and \$4,763,942 at December 31, 2013.

STEELE COUNTY

Notes to the Financial Statements - Continued

Special Revenue Funds – Restricted & Committed Fund Balances:

(a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:

- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
- Restricted grants/reimbursements – primarily includes social welfare/services and highways & bridges, as well as disaster type grants in FEMA funds, and other grant funds.

Unassigned Fund Balances:

Unassigned fund balances at year-end 2014 consist of an amount in the general fund totaling \$1,318,186 and negative fund balances reported in County Road and Bridge (\$278,087) and Nonmajor Funds (\$27,041).

Unassigned fund balances at year-end 2013 consist of an amount in the general fund totaling \$1,103,870 and negative fund balances reported in the Nonmajor Funds (\$17,008).

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, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

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

Restrictions of net position in the statement of net position is shown by primary function (as fund balances are shown) and are restricted for public safety, highways & bridges, health & welfare, culture & recreation, conservation of natural resources, emergencies, flood control, debt service, and general government purposes (health insurance, insurance reserve, veteran's service officer, and social security).

Unrestricted net position is primarily unrestricted amounts related to the general fund, as well as amounts shown for negative funds. The unrestricted net position is available to meet the district's ongoing obligations.

I. 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.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Board of County Commissioners did not amend the County budget for the years ended December 31, 2014 and 2013.

STEELE COUNTYNotes to the Financial Statements - Continued

NOTE 3: DEPOSITS

In accordance with North Dakota Statutes, Steele County and its component units consisting of the Job Development Authority and the Water Resource District maintain 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, 2014, the county's carrying amount of deposits totaled \$7,594,840, and the bank balances totaled \$7,655,960. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. Of the remaining bank balances, \$6,644,039 were collateralized with securities held by the pledging financial institution's agent in the government's name, and \$11,921 was held at the Bank of North Dakota (not requiring collateralization).

At year ended December 31, 2013, the county's carrying amount of deposits totaled \$6,881,699, and the bank balances totaled \$6,940,156. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. Of the remaining bank balances, \$5,928,241 were collateralized with securities held by the pledging financial institution's agent in the government's name, and \$11,915 was held at the Bank of North Dakota (not requiring collateralization).

The Water Resource District's carrying amount of deposits at December 31, 2014 totaled \$429,167 and the bank balances totaled \$429,962. Of the bank balances, \$346,395 was covered by Federal Depository Insurance. The remaining bank balances totaling \$83,567 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, 2013 totaled \$318,748, and the bank balances totaled \$337,819, all of which was covered by Federal Depository Insurance.

The Job Development Authority's carrying amount of deposits at December 31, 2014 totaled \$505,350 and the bank balances totaled \$505,350, all of which was covered by Federal Depository Insurance.

The Job Development Authority's carrying amount of deposits at December 31, 2013 totaled \$525,753, and the bank balances totaled \$525,753, all of which was covered by Federal Depository Insurance.

STEELE COUNTY

Notes to the Financial Statements - Continued

Credit Risk:

The County and its component units 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, 2014 and 2013, the County held certificates of deposit in the amount of \$2,197,315 and \$2,192,661, respectfully, and the Job Development Authority held \$479,026 and \$479,026, respectfully, all of which are considered deposits.

Interest Rate Risk:

The County and its component units do 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 and component units do not have a limit on the amount they may invest in any one issuer.

NOTE 4: TAXES RECEIVABLE

Taxes receivable included in the deferred inflows of resources on the balance sheet represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month.

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.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

NOTE 5: DUE TO / FROM OTHER FUNDS

The due to other funds reported in the other governmental funds at December 31, 2014 and 2013 represents the amount of negative cash at year-end which is covered by other funds. Farm to market road covered the negative \$237,705 of negative cash in the road and bridge fund in 2014, while the general fund covered \$27,041 negative cash reported in the foster care and the debt service funds. The general fund covered \$17,008 negative cash reported in the foster care fund at December 31, 2013.

STEELE COUNTY

Notes to the Financial Statements - Continued

NOTE 6: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due to the general fund at December 31, 2014 from the Traill County District Health Unit for health services provided.

NOTE 7: ROAD RECEIVABLE

Road receivable consists of amounts due to the road department for work done for townships, cities, schools and individuals.

NOTE 8: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due for expenses in the operation various welfare, road, and emergency management programs. These amounts consist of a mix of state and federal dollars.

NOTE 9: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the road accounts receivable in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes and road accounts receivable are measurable but not available. Deferred inflows of resources at the government wide level represent amounts for taxes received in advance at December 31, 2013.

NOTE 10: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2014 for the primary government:

Governmental Activities:	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets not being depreciated:</i>					
Land	\$ 5,425	\$ -	\$ -	\$ -	\$ 5,425
Construction in Progress	2,386,143	2,338,912	-	(4,725,055)	-
Total Capital Assets, Not Being Depreciated	\$ 2,391,568	\$ 2,338,912	\$ -	\$ (4,725,055)	\$ 5,425
<i>Capital assets, being depreciated:</i>					
Office Equipment	\$ 42,302	\$ -	\$ -	\$ -	\$ 42,302
Vehicles	246,392	-	-	-	246,392
Machinery & Equipment	1,441,666	323,065	67,500	-	1,697,231
Buildings	979,899	-	-	-	979,899
Infrastructure	1,117,557	519,463	-	4,725,055	6,362,075
Total Capital Assets, Being Depreciated	\$ 3,827,816	\$ 842,528	\$ 67,500	\$ 4,725,055	\$ 9,327,899
<i>Less accumulated depreciation for:</i>					
Office Equipment	\$ 42,302	\$ -	\$ -	\$ -	\$ 42,302
Vehicles	199,703	18,980	-	-	218,683
Machinery & Equipment	1,026,186	167,261	48,214	-	1,145,233
Buildings	418,889	17,286	-	-	436,175
Infrastructure	173,388	159,052	-	-	332,440
Total Accumulated Depreciation	\$ 1,860,468	\$ 362,579	\$ 48,214	\$ -	\$ 2,174,833
Total Capital Assets Being Depreciated, Net	\$ 1,967,348	\$ 479,949	\$ 19,286	\$ 4,725,055	\$ 7,153,066
Governmental Activities-Capital Assets, Net	\$ 4,358,916	\$ 2,818,861	\$ 19,286	\$ -	\$ 7,158,491

STEELE COUNTY

Notes to the Financial Statements - Continued

The following is a summary of changes in capital assets for the year ended December 31, 2013 for the primary government:

Governmental Activities:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,425	\$ -	\$ -	\$ 5,425
Construction in Progress	-	2,386,143	-	2,386,143
Total Capital Assets, Not Being Depreciated	\$ 5,425	\$ 2,386,143	\$ -	\$ 2,391,568
<i>Capital assets, being depreciated:</i>				
Office Equipment	\$ 42,302	\$ -	\$ -	\$ 42,302
Vehicles	213,244	33,148	-	246,392
Machinery & Equipment	1,441,666	-	-	1,441,666
Buildings	944,899	35,000	-	979,899
Infrastructure	1,117,557	-	-	1,117,557
Total Capital Assets, Being Depreciated	\$ 3,759,668	\$ 68,148	\$ -	\$ 3,827,816
<i>Less accumulated depreciation for:</i>				
Office Equipment	\$ 40,302	\$ 2,000	\$ -	\$ 42,302
Vehicles	161,387	38,316	-	199,703
Machinery & Equipment	895,173	131,013	-	1,026,186
Buildings	401,603	17,286	-	418,889
Infrastructure	145,449	27,939	-	173,388
Total Accumulated Depreciation	\$ 1,643,914	\$ 216,554	\$ -	\$ 1,860,468
Total Capital Assets Being Depreciated, Net	\$ 2,115,754	\$ (148,406)	\$ -	\$ 1,967,348
Governmental Activities-Capital Assets, Net	\$ 2,121,179	\$ 2,237,737	\$ -	\$ 4,358,916

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

Governmental Activities:	2014	2013
General Government	\$ 14,301	\$ 16,301
Highways and Bridges	327,907	161,152
Public Safety	8,236	26,966
Culture and Recreation	8,515	8,515
Conservation of Natural Resources	3,620	3,620
Total Depreciation Expense-Governmental Activities	\$ 362,579	\$ 216,554

Component Unit – Steele County Water Resource District:

The following is a summary of changes in capital assets for the years ended December 31, 2014 for the Steele County Water Resource District:

Steele County Water Resource District	Balance 1-1-14	Increases	Decreases	Balance 12-31-14
<i>Capital assets not being depreciated:</i>				
Land	\$ 71,923	\$ -	\$ -	\$ 71,923
<i>Capital assets, being depreciated:</i>				
Infrastructure	\$ 940,645	\$ -	\$ -	\$ 940,645
<i>Less accumulated depreciation for:</i>				
Infrastructure	\$ 112,877	\$ 18,813	\$ -	\$ 131,690
Total Capital Assets Being Depreciated, Net	\$ 827,768	\$ (18,813)	\$ -	\$ 808,955
Governmental Activities-Capital Assets, Net	\$ 899,691	\$ (18,813)	\$ -	\$ 880,878

STEELE COUNTY

Notes to the Financial Statements - Continued

The following is a summary of changes in capital assets for the year ended December 31, 2013 for the Steele County Water Resource District:

Steele County Water Resource District	Balance 1-1-13	Increases	Decreases	Balance 12-31-13
<i>Capital assets not being depreciated:</i>				
Land	\$ 71,923	\$ -	\$ -	\$ 71,923
<i>Capital assets, being depreciated:</i>				
Infrastructure	\$ 940,645	\$ -	\$ -	\$ 940,645
<i>Less accumulated depreciation for:</i>				
Infrastructure	\$ 94,064	\$ 18,813	\$ -	\$ 112,877
Total Capital Assets Being Depreciated, Net	\$ 846,581	\$ (18,813)	\$ -	\$ 827,768
Governmental Activities-Capital Assets, Net	\$ 918,504	\$ (18,813)	\$ -	\$ 899,691

Depreciation of \$18,813 in 2014 and 2013 was charged to conservation of natural resources function.

Intangible Assets for the years ended December 31, 2014 and 2013:

Steele County Water Resource District	Balance 1-1-14	Increases	Decreases	Balance 12-31-14
<i>Intangible asset, not being depreciated:</i>				
Land Easement	\$ 58,200	\$ -	\$ -	\$ 58,200

Steele County Water Resource District	Balance 1-1-13	Increases	Decreases	Balance 12-31-13
<i>Intangible asset, not being depreciated:</i>				
Land Easement	\$ 58,200	\$ -	\$ -	\$ 58,200

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 11: ACCOUNTS PAYABLE

Accounts payable consists of amounts owed to various vendors at each year-end on open invoices.

NOTE 12: SALARIES/BENEFITS PAYABLE

Salaries and benefits payable consists of a liability account related to payroll withholdings related to various payroll deductions withheld but not yet paid at year end.

NOTE 13: GRANTS RECEIVED IN ADVANCE

Grants received in advance consist of funds received in the FEMA fund where the eligibility requirements have not all been met at December 31, 2014 and 2013. Asset recognition criteria have been met, but revenue recognition criteria have not been met.

NOTE 14: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and loans payable) outstanding at December 31, 2014 and 2013.

STEELE COUNTY

Notes to the Financial Statements - Continued

NOTE 15: LONG-TERM LIABILITIES

Primary Government:

Changes in Long-Term Liabilities - During the years ended December 31, 2014 and 2013, the following changes occurred in governmental activities long-term liabilities for Steele County:

Governmental Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
General Obligation Bonds Payable	\$ 2,900,000	\$ -	\$ 130,000	\$ 2,770,000	\$ 120,000
Compensated Absences *	21,962	1,655	-	23,617	2,362
Total Governmental Activities	\$ 2,921,962	\$ 1,655	\$ 130,000	\$ 2,793,617	\$ 122,362

Governmental Activities:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
General Obligation Bonds Payable	\$ -	\$ 2,900,000	\$ -	\$ 2,900,000	\$ 130,000
Loans Payable	8,538	-	8,538	-	-
Compensated Absences *	19,118	2,844	-	21,962	2,196
Total Governmental Activities	\$ 27,656	\$ 2,902,844	\$ 8,538	\$ 2,921,962	\$ 132,196

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding debt (excluding compensated absences payable) at December 31, 2014 for the primary government governmental activities consists of the following issues:

General Obligation Bond Payable:

\$2,900,000 bond payable; annual payments of \$120,000 to \$185,000 through May 1, 2033; with interest from 0.50% to 4.25% \$2,770,000

The annual requirements to amortize the outstanding debt, excluding compensated absences are as follows for the year ended December 31, 2014:

PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES		
Year Ending December 31	G.O. Bonds Payable	
	Principal	Interest
2015	\$ 120,000	\$ 82,445
2016	125,000	81,220
2017	125,000	79,970
2018	125,000	78,095
2019	125,000	75,595
2020 - 2024	675,000	332,361
2025 - 2029	770,000	222,770
2030 - 2034	705,000	61,306
Total	\$ 2,770,000	\$ 1,013,762

STEELE COUNTY

Notes to the Financial Statements - Continued

DISCRETELY PRESENTED COMPONENT UNIT:Steele County Water Resource District:

Changes in Long-Term Liabilities - During the years ended December 31, 2014 and 2013, the following changes occurred in governmental and enterprise long-term liabilities of the District:

Steele County Water Resource District	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Bonds Payable	\$ 480,000	\$ -	\$ 56,000	\$ 424,000	\$ 56,000
Loans Payable	108,080	-	16,162	91,918	17,083
Compensated Absences *	1,522	-	142	1,380	138
Total Governmental Activities	\$ 589,602	\$ -	\$ 72,304	\$ 517,298	\$ 73,221

Steele County Water Resource District	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Bonds Payable	\$ 536,000	\$ -	\$ 56,000	\$ 480,000	\$ 56,000
Loans Payable	123,411	-	15,331	108,080	16,199
Disaster Drawsown	321,000	-	321,000	-	-
Compensated Absences *	1,297	225	-	1,522	152
Total Governmental Activities	\$ 981,708	\$ 225	\$ 392,331	\$ 589,602	\$ 72,351

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding debt (excluding compensated absences payable) at December 31, 2014 for the Water Resource District governmental activities consists of the following issues:

Loans Payable

\$100,000 Line of Credit from Citizens State Bank with interest at 5.75% for Snagging/Clearing - Elm River. Annual installments of \$6,587 to \$6,591 are due through 2018.	\$ 24,600
\$100,000 Line of Credit from Citizens State Bank with interest at 5.75% for Snagging/Clearing – Goose River. Annual installments of \$10,129 are due through 2022.	51,828
\$65,000 Line of Credit from Citizens State Bank with interest at 5% for Snagging and Clearing. Annual installments of \$8,447 are due through 2016.	<u>15,490</u>
Total Loans Payable	<u>\$ 91,918</u>

Bonds Payable

\$140,000 Refunding Improvement Bonds of 2009 due in annual installments of \$6,000 to \$40,000 through 2020; with interest at 5.50%.	\$104,000
\$745,000 Refunding Improvement Bonds of 2005 due in annual installments of \$25,000 to \$55,000 through 2020; with interest at 3.3% to 4.3%.	<u>320,000</u>
Total Bonds Payable	<u>\$424,000</u>

STEELE COUNTY

Notes to the Financial Statements - Continued

Debt service requirements on long-term debt for the discretely presented component unit at December 31, 2014 are as follows:

COMPONENT UNIT - WATER RESOURCE DISTRICT				
Year Ending December 31	Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2015	\$ 56,000	\$ 18,018	\$ 17,083	\$ 5,139
2016	56,000	15,674	17,719	4,189
2017	61,000	13,157	10,533	3,242
2018	61,000	10,512	11,785	2,548
2019	95,000	6,884	4,924	1,994
2020 - 2024	95,000	2,294	29,874	5,242
Totals	\$ 424,000	\$ 66,539	\$ 91,918	\$ 22,354

NOTE 16: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2014 and 2013:

	2014	
	Transfers In	Transfers Out
Major Funds:		
Farm to Market	\$ -	\$ 713,000
Road Construction	747,039	-
County Road and Bridge	-	34,039
Total Transfers	\$ 747,039	\$ 747,039

	2013	
	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 34,625	\$ -
County Road and Bridge	718,446	-
Highway Tax Distribution	-	718,446
Debt Service Funds		
County Bond	-	267
County Bond 2001	-	34,358
Total Transfers	\$ 753,071	\$ 753,071

NOTE 17: PENSION PLANNorth Dakota Public Employee's Retirement System

The county participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of the county and the county's component units. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of

STEELE COUNTY

Notes to the Financial Statements - Continued

the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' 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 employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Funding Policy:

Plan members are required to contribute 7% of their annual salary and the county is required to contribute 8.26% of the employee's salary, which consists of 7.12% for employee retirement and 1.14% for retiree health benefits fund. Of the 15.26% of total contributions, the county contributes 12.26%, while employees contribute 3% of the member assessments. The contributions requirements of the plan members and the county are established and may be amended by the State legislature. The County's required contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$60,484, \$52,668, and \$44,119.

NOTE 18: RISK MANAGEMENT

Steele 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. Steele 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 \$2,420,809.

Steele County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Steele 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 Steele 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.

Steele County has workers 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.

STEELE COUNTY

Notes to the Financial Statements - Continued

NOTE 19: 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 years ended December 31, 2014 and 2013, which is the most current audited information available:

Governmental Activities	2014	2013
Total Assets	\$ 8,091,476	\$ 6,976,146
Total Liabilities	265,559	177,049
Net Position	\$ 7,825,917	\$ 6,799,097
Revenues	\$ 2,395,150	\$ 2,042,747
Expenses	1,368,330	1,288,712
Change in Net Position	\$ 1,026,820	\$ 754,035

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 20: DEFICIT BALANCES

The following fund was in a deficit cash position at December 31, 2014 and 2013:

County Funds	2014	2013
Major Funds		
County Road and Bridge	\$ (237,705)	\$ -
Nonmajor Funds		
911 Fund	(25,462)	(17,008)
County Bond	(1,580)	-

This deficit will be eliminated with reimbursements from other entities or transfers from other funds.

NOTE 21: OPERATING LEASES

The county leases copiers under non-cancelable operating leases. Total costs for such leases were \$1,815 for the year ended December 31, 2014. The future minimum lease payments for these leases are as follows:

GOVERNMENTAL ACTIVITIES	
Year Ending December 31	Amounts
2015	\$ 1,815
2016	605
Totals	\$ 2,420

STEELE COUNTY

Notes to the Financial Statements - Continued

NOTE 22: PRIOR PERIOD ADJUSTMENTS

The prior period adjustments for the 2013 Statement of Activities for the county and for beginning fund balances of the county. The prior period adjustments for the county consist of reporting prior grants in advance at the government wide and fund levels, and to adjust various line items of capital assets cost and accumulated depreciation. The effect of the prior period adjustments to beginning Net Position is as follows:

County:	Governmental Activities
Net Position, as previously reported	\$6,678,110
Adjustments to restate the January 1, 2013 net position for the following:	
Grants received in advance	(333,345)
Capital Assets – Cost & Depreciation	18,750
Net Position January 1, 2013 as restated	<u>\$6,363,515</u>

The effect of the prior period adjustments to beginning fund balances is as follows:

County:	Governmental Funds
Fund Balances, as previously reported	\$4,584,935
Adjustments to restate the January 1, 2013 fund balances for the following:	
Grants received in advance	(333,345)
Fund Balances January 1, 2013 as restated	<u>\$4,251,590</u>

Additionally, prior period adjustment was necessary for the job development authority to remove loan receivable balances.

Job Development Authority:	JDA Activities
Net Position, as previously reported	\$609,788
Adjustments to restate the January 1, 2013 net position for the following:	
Loans Receivable – remove balances	(93,724)
Net Position January 1, 2013 as restated	<u>\$516,064</u>

NOTE 23: CONSTRUCTION COMMITMENTS

Steele County had several open construction commitments as of December 31, 2014 as follows:

Project	Total Contract	Change Orders	Total Contract w/Change Orders	Total Completed	Retainage/Contract Payable	Remaining Balance w/Retainages	% Complete
BRC - 4613(052)	\$ 446,790	\$ -	\$ 446,790	\$ -	\$ -	\$446,790	0.00%
SC - 4624(056) – 38 th Street	2,487,240	(107,660)	2,379,580	2,302,664	46,053	122,970	96.77%
Total	<u>\$2,934,030</u>	<u>\$(107,660)</u>	<u>\$2,826,370</u>	<u>\$2,302,664</u>	<u>\$46,053</u>	<u>\$569,760</u>	<u>81.47%</u>

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 618,324	\$ 618,324
Intergovernmental	-	-	277,904	277,904
Charges for services	-	-	140,087	140,087
Interest income	-	-	15,673	15,673
Miscellaneous	-	-	54,684	54,684
Total Revenues	\$ -	\$ -	\$ 1,106,672	\$ 1,106,672
<u>Expenditures:</u>				
Current:				
General government	\$ 741,484	741,484	\$ 563,932	\$ 177,552
Public safety	282,439	282,439	222,621	59,818
Health and welfare	75,112	75,112	67,017	8,095
Conservation of natural resources	48,000	48,000	38,786	9,214
Total Expenditures	\$ 1,147,035	\$ 1,147,035	\$ 892,356	\$ 254,679
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,147,035)	\$ (1,147,035)	\$ 214,316	\$ 1,361,351
Fund Balances - January 1	\$ 1,103,870	\$ 1,103,870	\$ 1,103,870	\$ -
Fund Balances - December 31	\$ (43,165)	\$ (43,165)	\$ 1,318,186	\$ 1,361,351

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY SALES TAX FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Sales taxes	\$ -	\$ -	\$ 205,987	\$ 205,987
<u>Expenditures:</u>				
Current:				
General Government	\$ -	\$ -	\$ 252,000	\$ (252,000)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ (46,013)	\$ (46,013)
Fund Balances - January 1	\$ 463,631	\$ 463,631	\$ 463,631	\$ -
Fund Balances - December 31	\$ 463,631	\$ 463,631	\$ 417,618	\$ (46,013)

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 246,181	\$ 246,181
Intergovernmental	-	-	26,336	26,336
Total Revenues	\$ -	\$ -	\$ 272,517	\$ 272,517
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 252,000	\$ 252,000	\$ -	\$ 252,000
Excess (Deficiency) of Revenues Over Expenditures	\$ (252,000)	\$ (252,000)	\$ 272,517	\$ 524,517
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (713,000)	\$ (713,000)
Net Change in Fund Balances	\$ (252,000)	\$ (252,000)	\$ (440,483)	\$ (188,483)
Fund Balances - January 1	\$ 1,497,036	\$ 1,497,036	\$ 1,497,036	\$ -
Fund Balances - December 31	\$ 1,245,036	\$ 1,245,036	\$ 1,056,553	\$ (188,483)

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
ROAD CONSTRUCTION FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 2,011,164	\$ 2,011,164
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ -	\$ -	\$ 2,424,724	\$ (2,424,724)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ (413,560)	\$ (413,560)
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 747,039	\$ 747,039
Net Change in Fund Balances	\$ -	\$ -	\$ 333,479	\$ 333,479
Fund Balances - January 1	\$ 227,954	\$ 227,954	\$ 227,954	\$ -
Fund Balances - December 31	\$ 227,954	\$ 227,954	\$ 561,433	\$ 333,479

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 159,259	\$ 159,259
Intergovernmental	-	-	26,434	26,434
Charges for services	-	-	145,072	145,072
Miscellaneous	-	-	2,067	2,067
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,832</u>	<u>\$ 332,832</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 796,052	\$ 796,052	\$ 910,702	\$ (114,650)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (796,052)</u>	<u>\$ (796,052)</u>	<u>\$ (577,870)</u>	<u>\$ 218,182</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (34,039)	\$ (34,039)
Net Change in Fund Balances	<u>\$ (796,052)</u>	<u>\$ (796,052)</u>	<u>\$ (611,909)</u>	<u>\$ 184,143</u>
Fund Balances - January 1	<u>\$ 333,822</u>	<u>\$ 333,822</u>	<u>\$ 333,822</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ (462,230)</u></u>	<u><u>\$ (462,230)</u></u>	<u><u>\$ (278,087)</u></u>	<u><u>\$ 184,143</u></u>

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 357,015	\$ 357,015
<u>Expenditures:</u>	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 357,015	\$ 357,015
Fund Balances - January 1	\$ 290,703	\$ 290,703	\$ 290,703	\$ -
Fund Balances - December 31	\$ 290,703	\$ 290,703	\$ 647,718	\$ 357,015

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 54,949	\$ 54,949
<u>Expenditures:</u>				
Current:				
Flood repair	\$ 500,000	\$ 500,000	\$ 54,949	\$ 445,051
Excess (Deficiency) of Revenues Over Expenditures	\$ (500,000)	\$ (500,000)	\$ -	\$ 500,000
Fund Balances - January 1	\$ 60,225	\$ 60,225	\$ 60,225	\$ -
Fund Balances - December 31	\$ (439,775)	\$ (439,775)	\$ 60,225	\$ 500,000

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 515,000	\$ 515,000	\$ 478,868	\$ (36,132)
Intergovernmental	261,600	261,600	269,442	7,842
Charges for services	113,864	113,864	168,605	54,741
Interest income	25,000	25,000	15,056	(9,944)
Miscellaneous	138,500	138,500	33,819	(104,681)
Total Revenues	\$ 1,053,964	\$ 1,053,964	\$ 965,790	\$ (88,174)
<u>Expenditures:</u>				
Current:				
General government	\$ 534,156	534,156	\$ 484,117	\$ 50,039
Public safety	287,794	287,794	322,545	(34,751)
Health and welfare	66,244	66,244	68,771	(2,527)
Conservation of natural resources	48,000	48,000	36,290	11,710
Debt Service:				
Principal	8,000	8,000	8,537	(537)
Interest & Service Charges	-	-	186	(186)
Total Expenditures	\$ 944,194	\$ 944,194	\$ 920,446	\$ 23,748
Excess (Deficiency) of Revenues Over Expenditures	\$ 109,770	\$ 109,770	\$ 45,344	\$ (64,426)
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 34,625	\$ 34,625
Net Change in Fund Balances	\$ 109,770	\$ 109,770	\$ 79,969	\$ (29,801)
Fund Balances - January 1	\$ 1,023,901	\$ 1,023,901	\$ 1,023,901	\$ -
Fund Balances - December 31	\$ 1,133,671	\$ 1,133,671	\$ 1,103,870	\$ (29,801)

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY SALES TAX FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Sales taxes	\$ -	\$ -	\$ 174,886	\$ 174,886
<u>Expenditures:</u>	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 174,886	\$ 174,886
Fund Balances - January 1	\$ 288,745	\$ 288,745	\$ 288,745	\$ -
Fund Balances - December 31	\$ 288,745	\$ 288,745	\$ 463,631	\$ 174,886

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 211,533	\$ 211,533
Intergovernmental	-	-	737,093	737,093
Total Revenues	\$ -	\$ -	\$ 948,626	\$ 948,626
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 252,000	\$ 252,000	\$ 9,540	\$ 242,460
Excess (Deficiency) of Revenues Over Expenditures	\$ (252,000)	\$ (252,000)	\$ 939,086	\$ 1,191,086
Fund Balances - January 1	\$ 557,950	\$ 557,950	\$ 557,950	\$ -
Fund Balances - December 31	\$ 305,950	\$ 305,950	\$ 1,497,036	\$ 1,191,086

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
ROAD CONSTRUCTION FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 95,354	\$ 95,354
<u>Expenditures:</u>				
<u>Current:</u>				
Highways and bridges	\$ -	\$ -	\$ 2,736,823	\$ (2,736,823)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ (2,641,469)	\$ (2,641,469)
<u>Other Financing Sources (Uses):</u>				
Bond Proceeds	\$ -	\$ -	\$ 2,900,000	\$ 2,900,000
Bond Discount	-	-	(30,577)	(30,577)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 2,869,423	\$ 2,869,423
Net Change in Fund Balances	\$ -	\$ -	\$ 227,954	\$ 227,954
Fund Balances - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balances - December 31	\$ -	\$ -	\$ 227,954	\$ 227,954

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 352,183	\$ 352,183
<u>Expenditures:</u>				
	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 352,183	\$ 352,183
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (718,446)	\$ (718,446)
Net Change in Fund Balances	\$ -	\$ -	\$ (366,263)	\$ (366,263)
Fund Balances - January 1	\$ 656,966	\$ 656,966	\$ 656,966	\$ -
Fund Balances - December 31	\$ 656,966	\$ 656,966	\$ 290,703	\$ (366,263)

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 328,000	\$ 328,000	\$ 160,170	\$ (167,830)
Intergovernmental	26,550	26,550	66,765	40,215
Charges for services	255,000	255,000	177,225	(77,775)
Miscellaneous	15,000	15,000	1,798	(13,202)
Total Revenues	<u>\$ 624,550</u>	<u>\$ 624,550</u>	<u>\$ 405,958</u>	<u>\$ (218,592)</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	<u>\$ 807,243</u>	<u>\$ 807,243</u>	<u>\$ 840,458</u>	<u>\$ (33,215)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (182,693)</u>	<u>\$ (182,693)</u>	<u>\$ (434,500)</u>	<u>\$ (251,807)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers in	<u>\$ 513,850</u>	<u>\$ 513,850</u>	<u>\$ 718,446</u>	<u>\$ 204,596</u>
Net Change in Fund Balances	<u>\$ 331,157</u>	<u>\$ 331,157</u>	<u>\$ 283,946</u>	<u>\$ (47,211)</u>
Fund Balances - January 1	<u>\$ 49,876</u>	<u>\$ 49,876</u>	<u>\$ 49,876</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 381,033</u></u>	<u><u>\$ 381,033</u></u>	<u><u>\$ 333,822</u></u>	<u><u>\$ (47,211)</u></u>

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 9,838	\$ 9,838
<u>Expenditures:</u>				
Current:				
Flood repair	\$ 600,000	\$ 600,000	\$ 9,838	\$ 590,162
Excess (Deficiency) of Revenues Over Expenditures	\$ (600,000)	\$ (600,000)	\$ -	\$ 600,000
Fund Balances - January 1	\$ 60,225	\$ 60,225	\$ 60,225	\$ -
Fund Balances - December 31	\$ (539,775)	\$ (539,775)	\$ 60,225	\$ 600,000

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

STEELE COUNTY
Finley, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014 and 2013

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal years 2014 and 2013, Steele County had the following fund expenditures in excess of budgeted amounts:

2014	Budget	Actual	Overspent
<u>Special Revenue Funds</u>			
County Sales Tax Fund	\$ -	\$ 252,000	\$ (252,000)
Road Construction Fund	-	2,424,723	(2,424,723)
Road and Bridge Fund	796,052	910,702	(114,650)
County Share of Specials Fund	500	855	(355)
Youth Foster Care Fund	-	13,555	(13,555)
Document Preservation Fund	-	500	(500)
County Bond	-	242,491	(242,491)

STEELE COUNTYNotes to the Required Supplementary Information – Continued

2013	Budget	Actual	Overspent
<u>Special Revenue Funds</u>			
Road Construction Fund	\$ -	\$ 2,736,823	\$ (2,736,823)
Road and Bridge Fund	807,243	840,459	(33,216)
Weight Restriction Fund	-	1,645	(1,645)
Correctional Facility Fund	25,000	29,296	(4,296)
County Share of Specials Fund	-	650	(650)
Youth Foster Care Fund	-	11,809	(11,809)
Hazardous Chemicals Fund	-	4,000	(4,000)
Veteran's Service Fund	8,912	8,977	(65)
Weed Control Fund	60,718	71,405	(10,687)

STEELE COUNTY
Finley, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
Major Funds:						
General Fund	\$ 1,086,847.39	\$ 1,006,596.00	\$ -	\$ -	\$ 892,355.64	\$ 1,201,087.75
Capital Projects General Fund	35,428.99	-	-	-	-	35,428.99
Total General Fund	\$ 1,122,276.38	\$ 1,006,596.00	\$ -	\$ -	\$ 892,355.64	\$ 1,236,516.74
Special Revenue Funds:						
County Sales Tax	\$ 442,758.55	\$ 190,670.32	\$ -	\$ -	\$ -	\$ 633,428.87
Farm to Market Road	1,525,111.01	236,974.03	-	713,000.00	-	1,049,085.04
Road Construction	132,600.19	2,106,517.45	747,039.11	-	2,424,723.33	561,433.42
County Road and Bridge	372,594.25	310,182.45	-	34,039.11	886,442.34	(237,704.75)
Highway Tax Distribution	252,646.01	352,556.21	-	-	-	605,202.22
FEMA	396,553.46	38,745.39	-	-	54,949.01	380,349.84
Total Major Special Revenue Funds	\$ 3,122,263.47	\$ 3,235,645.85	\$ 747,039.11	\$ 747,039.11	\$ 3,366,114.68	\$ 2,991,794.64
Total Major Funds	\$ 4,244,539.85	\$ 4,242,241.85	\$ 747,039.11	\$ 747,039.11	\$ 4,258,470.32	\$ 4,228,311.38
Non-Major Funds:						
Special Revenue Funds:						
Utility Permits	\$ 75,029.99	\$ -	\$ -	\$ -	\$ -	\$ 75,029.99
Weight Restriction Management	11,329.48	5,680.00	-	-	1,275.00	15,734.48
County Road - 5 Mill	240,960.82	123,248.23	-	-	-	364,209.05
Correctional Facility	32,348.06	24,953.73	-	-	29,684.20	27,617.59
County Share of Specials	1,744.14	-	-	-	855.00	889.14
Human Services Fund	347,700.04	308,839.09	-	-	282,378.14	374,160.99
Foster Care	6,485.34	12,556.00	-	-	13,555.00	5,486.34
911 Fund	(17,007.59)	7,955.55	-	-	16,409.54	(25,461.58)
911 Wireless Fund	37,884.62	26,327.55	-	-	4,495.98	59,716.19
Insurance Reserve	101,753.47	81,701.06	-	-	45,542.80	137,911.73
Hazardous Chemical Preparedness	3,308.36	487.50	-	-	-	3,795.86
Emergency Fund	247,459.98	67,417.65	-	-	-	314,877.63
Veterans Service Officer	8,892.61	8,456.13	-	-	8,937.20	8,411.54
Oasis and Social Security	540,997.73	244,222.58	-	-	218,128.60	567,091.71
Health Care Insurance	142,678.35	169,493.99	-	-	154,972.68	157,199.66
County Agent	129,809.11	50,686.34	-	-	48,091.10	132,404.35
County Agent Special Fund	6,071.10	1,397.00	-	-	1,243.55	6,224.55
Weed Control	49,332.42	64,431.99	-	-	26,199.77	87,564.64
County Park	33,165.21	60,233.59	-	-	47,133.42	46,265.38
Document Preservation Fund	19,934.59	4,457.25	-	-	500.00	23,891.84
Total Non-Major Special Revenue Funds	\$ 2,019,877.83	\$ 1,262,545.23	\$ -	\$ -	\$ 899,401.98	\$ 2,383,021.08
Debt Service Funds (Non-Major):						
County Bond	\$ 36,423.01	\$ 204,488.47	\$ -	\$ -	\$ 242,491.34	\$ (1,579.86)
County Bond 2001	5.98	595.72	-	-	-	601.70
Total Debt Service Funds	\$ 36,428.99	\$ 205,084.19	\$ -	\$ -	\$ 242,491.34	\$ (978.16)
Total Non-Major Funds	\$ 2,056,306.82	\$ 1,467,629.42	\$ -	\$ -	\$ 1,141,893.32	\$ 2,382,042.92
Total Governmental Funds	\$ 6,300,846.67	\$ 5,709,871.27	\$ 747,039.11	\$ 747,039.11	\$ 5,400,363.64	\$ 6,610,354.30

Continued on next page.....

STEELE COUNTY
Finley, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
CONTINUED.....						
<u>Agency Funds:</u>						
Job Development Authority	\$ 9,921.98	\$ 62,819.63	\$ -	\$ -	\$ 72,635.50	\$ 106.11
Senior Citizens	3,965.99	44,141.18	-	-	48,064.73	42.44
Historical Society	2,974.49	16,862.91	-	-	19,805.56	31.84
State Tax	3,965.99	22,713.84	-	-	26,637.39	42.44
Civil Filing Fees	1,250.00	-	-	-	-	1,250.00
Game and Fish License	2,184.00	2,852.00	-	-	4,320.00	716.00
Victim Advocacy	1,850.00	-	-	-	-	1,850.00
Court Costs	400.00	-	-	-	-	400.00
Payroll Deductions	19,138.98	-	-	-	25,728.89	(6,589.91)
Estimated Tax	4,116.42	398.24	-	-	3,869.63	645.03
Mobile Home Tax	440.67	381.80	-	-	-	822.47
Steele County Soil Conservation	3,576.42	22,347.11	-	-	25,884.59	38.94
Total Cities	35,537.52	415,656.12	-	-	447,730.17	3,463.47
Total Parks	4,183.94	54,637.56	-	-	58,565.78	255.72
Total Schools	325,099.50	1,907,321.66	-	-	2,260,218.98	(27,797.82)
Total Townships	80,923.94	624,900.95	-	-	705,207.09	617.80
Total Water Resource District	86,206.18	269,418.39	-	-	355,059.30	565.27
Total Rural Fire Districts	23,794.32	160,339.30	-	-	182,906.02	1,227.60
Unapportioned Taxes	-	1,009,661.12	-	-	-	1,009,661.12
Total Agency Funds	\$ 609,530.34	\$ 4,614,451.81	\$ -	\$ -	\$ 4,236,633.63	\$ 987,348.52
Total Primary Government	\$ 6,910,377.01	\$ 10,324,323.08	\$ 747,039.11	\$ 747,039.11	\$ 9,636,997.27	\$ 7,597,702.82

STEELE COUNTY
Finley, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2013

	Balance 1-1-13	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12-31-13
Major Funds:							
General Fund	\$ 871,775.07	\$ 1,057,246.28	\$ 34,625.45	\$ -	\$ -	\$ 876,799.41	\$ 1,086,847.39
Capital Projects General Fund	79,075.15	-	-	-	-	43,646.16	35,428.99
Total General Fund	\$ 950,850.22	\$ 1,057,246.28	\$ 34,625.45	\$ -	\$ -	\$ 920,445.57	\$ 1,122,276.38
Special Revenue Funds:							
County Sales Tax	\$ 276,915.93	\$ 165,842.62	\$ -	\$ -	\$ -	\$ -	\$ 442,758.55
Farm to Market Road	550,117.39	984,533.62	-	-	-	9,540.00	1,525,111.01
Road Construction	-	-	-	2,869,423.24	-	2,736,823.05	132,600.19
County Road and Bridge	49,875.58	421,022.42	718,446.18	-	-	816,749.93	372,594.25
Highway Tax Distribution	366,303.34	604,788.85	-	-	718,446.18	-	252,646.01
FEMA	333,344.72	73,047.13	-	-	-	9,838.39	396,553.46
Total Major Special Revenue Funds	\$ 1,576,556.96	\$ 2,249,234.64	\$ 718,446.18	\$ 2,869,423.24	\$ 718,446.18	\$ 3,572,951.37	\$ 3,122,263.47
Total Major Funds	\$ 2,527,407.18	\$ 3,306,480.92	\$ 753,071.63	\$ 2,869,423.24	\$ 718,446.18	\$ 4,493,396.94	\$ 4,244,539.85
Non-Major Funds:							
Special Revenue Funds:							
Utility Permits	\$ 75,029.99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,029.99
Weight Restriction Management	10,987.82	1,986.66	-	-	-	1,645.00	11,329.48
County Road - 5 Mill	108,041.48	137,323.34	-	-	-	4,404.00	240,960.82
Correctional Facility	34,730.12	26,913.99	-	-	-	29,296.05	32,348.06
County Share of Specials	2,394.14	-	-	-	-	650.00	1,744.14
Human Services Fund	258,237.48	351,716.86	-	-	-	262,254.30	347,700.04
Foster Care	-	18,294.46	-	-	-	11,809.12	6,485.34
911 Fund	(10,768.90)	8,414.09	-	-	-	14,652.78	(17,007.59)
911 Wireless Fund	24,181.55	15,915.40	-	-	-	2,212.33	37,884.62
Insurance Reserve	77,907.41	85,819.55	-	-	-	61,973.49	101,753.47
Hazardous Chemical Preparedness	6,770.86	537.50	-	-	-	4,000.00	3,308.36
Emergency Fund	157,891.49	89,568.49	-	-	-	-	247,459.98
Veterans Service Officer	7,737.67	10,132.41	-	-	-	8,977.47	8,892.61
Oasis and Social Security	443,831.59	274,995.11	-	-	-	177,828.97	540,997.73
Health Care Insurance	90,079.61	217,049.48	-	-	-	164,450.74	142,678.35
County Agent	144,842.14	29,255.14	-	-	-	44,288.17	129,809.11
County Agent Special Fund	6,103.27	1,458.00	-	-	-	1,490.17	6,071.10
Weed Control	82,117.96	38,619.80	-	-	-	71,405.34	49,332.42
County Park	20,828.88	66,369.37	-	-	-	54,033.04	33,165.21
Document Preservation Fund	15,187.40	4,747.19	-	-	-	-	19,934.59
Total Non-Major Special Revenue Funds	\$ 1,556,131.96	\$ 1,379,116.84	\$ -	\$ -	\$ -	\$ 915,370.97	\$ 2,019,877.83
Debt Service Funds (Non-Major):							
County Bond	\$ 267.21	\$ 36,423.01	\$ -	\$ -	\$ 267.21	\$ -	\$ 36,423.01
County Bond 2001	33,963.14	401.08	-	-	34,358.24	-	5.98
Total Debt Service Funds	\$ 34,230.35	\$ 36,824.09	\$ -	\$ -	\$ 34,625.45	\$ -	\$ 36,428.99
Total Non-Major Funds	\$ 1,590,362.31	\$ 1,415,940.93	\$ -	\$ -	\$ 34,625.45	\$ 915,370.97	\$ 2,056,306.82
Total Governmental Funds	\$ 4,117,769.49	\$ 4,722,421.85	\$ 753,071.63	\$ 2,869,423.24	\$ 753,071.63	\$ 5,408,767.91	\$ 6,300,846.67
Agency Funds:							
Job Development Authority	\$ 229.84	\$ 72,568.47	\$ -	\$ -	\$ -	\$ 62,876.33	\$ 9,921.98
Senior Citizens	132.17	44,936.65	-	-	-	41,102.83	3,965.99
Historical Society	99.13	21,558.17	-	-	-	18,682.81	2,974.49
State Tax	76.61	28,946.01	-	-	-	25,056.63	3,965.99
Civil Filing Fees	1,250.00	-	-	-	-	-	1,250.00
Game and Fish License	1,173.00	7,796.00	-	-	-	6,785.00	2,184.00
Victim Advocacy	1,850.00	-	-	-	-	-	1,850.00
Court Costs	500.00	-	-	-	-	100.00	400.00
Payroll Deductions	3,472.59	-	-	-	-	(15,666.39)	19,138.98
Estimated Tax	1,071.41	9,116.72	-	-	-	6,071.71	4,116.42
Mobile Home Tax	727.56	147.41	-	-	-	434.30	440.67
Steele County Soil Conservation	132.17	28,605.53	-	-	-	25,161.28	3,576.42
Total Cities	2,863.75	509,462.06	-	-	-	476,788.29	35,537.52
Total Parks	59.34	58,819.67	-	-	-	54,695.07	4,183.94
Total Schools	9,291.79	3,192,231.93	-	-	-	2,876,424.22	325,099.50
Total Townships	2,214.62	1,364,232.21	-	-	-	1,285,522.89	80,923.94
Total Water Resource District	796.68	377,467.50	-	-	-	292,058.00	86,206.18
Total Rural Fire Districts	983.52	166,953.80	-	-	-	144,143.00	23,794.32
Unapportioned Taxes	1,714,919.17	-	-	-	-	1,714,919.17	-
Total Agency Funds	\$ 1,741,843.35	\$ 5,882,842.13	\$ -	\$ -	\$ -	\$ 7,015,155.14	\$ 609,530.34
Total Primary Government	\$ 5,859,612.84	\$ 10,605,263.98	\$ 753,071.63	\$ 2,869,423.24	\$ 753,071.63	\$ 12,423,923.05	\$ 6,910,377.01

STEELE COUNTY
Finley, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed Through State Department of Human Services:</u>		
Public Health Emergency Preparedness	93.069	\$ 7,625
Immunization Cooperative Agreements	93.268	1,199
Temporary Assistance for Needy Families	93.558	4,389
Building Epidemiology, Laboratory, and Health Information Systems Capacity	93.521	325
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	602
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,339
Foster Care-Title IV-E	93.658	11,403
Adoption Assistance	93.659	218
Medical Assistance Program	93.778	223
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	2,655
Children's Health Insurance Program	93.767	73
Maternal and Child Health Services Block Grant to the States	93.994	1,332
Total U.S. Department of Health and Human Services		<u>\$ 32,383</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed Through State Department of Emergency Services:</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 110,355
Emergency Management Performance Grants	97.042	2,700
Homeland Security Grant Program	97.067	33,486
Total U.S. Department of Homeland Security		<u>\$ 146,541</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through State Highway Department:</u>		
Highway Planning and Construction	*** 20.205	\$ 747,039
State and Community Highway Safety	20.600	812
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	1,550
Total U.S. Department of Transportation		<u>\$ 749,401</u>
<u>Department of the Interior Fish and Wildlife Service:</u>		
<u>Passed Through State Highway Department:</u>		
Wildlife Restoration and Basic Hunter Education	15.611	\$ 80
Total Expenditures of Federal Awards		<u>\$ 928,405</u>

*** - Major program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Steele County under programs of the federal government for the year ended December 31, 2013. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of Steele County, it is not intended to and does not present the financial position or changes in net position of Steele County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribe Governments, wherein certain types of expenditures are allowable or are limited as to reimbursement.

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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

Independent Auditor's Report

Board of County Commissioners
Steele County
Finley, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County as of and for the years ended December 31, 2014 and 2013, 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 14, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified one deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness [2014-01].

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *schedule of findings and questioned costs* as item 2014-01.

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

Steele County's Response to Findings

Steele County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. 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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 14, 2016

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Steele County
Finley, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Steele County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Steele County's major federal program for the year ended December 31, 2013. Steele County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Steele County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Steele County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Steele County's compliance.

Opinion on Each Major Federal Program

In our opinion, Steele County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

STEELE COUNTY

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 - Continued

Report on Internal Control Over Compliance

Management of Steele County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Steele County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Steele County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Steele County as of and for the year ended December 31, 2013, and have issued our report thereon dated January 14, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 14, 2016

STEELE COUNTY
Finley, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended December 31, 2014 and 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

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

Internal control over financial reporting:

Material weaknesses identified? X Yes No

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

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal Control over major programs:

Material weaknesses identified? Yes X None reported

Significant deficiencies identified? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

STEELE COUNTY

Schedule of Findings and Questioned Costs – Continued

Section II - Financial Statement Findings

2014-01 – LACK OF REVENUE BUDGET

Condition:

Steele County did not have budgeted revenue, transfers and fund balance information properly stated in the 2014 and 2013 budgets. Revenue amounts were missing for all funds, including the proper calculation of tax levies. While it is believed that a revenue budget was prepared as revenue budgets were properly prepared in prior years based on past experience, the client was unable to produce a copy of the 2014 and 2013 revenue budgets.

Effect:

The potential revenue collected, transfers, and fund balance information for all funds may have had an impact on the approved 2014 and 2013 budgets, including the proper calculation of tax levies.

Cause:

The client was unable to produce 2014 and 2013 revenue budget document. Client may not have been aware of the full impact that NDCC section 11-23-02 had on the overall budgeting process and this was the first time the century code has been brought to their attention.

Criteria:

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

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

Recommendation:

We recommend Steele County carefully budget revenues, transfers, and fund balance in the general fund, all special revenue funds and all debt service funds to ensure compliance with NDCC section 11-23-02 by including all items listed in that section and to maintain copies of annual budgets on hand for review.

Views of Responsible Officials / Planned Corrective Actions:

Client agrees with recommendation regarding the missing revenue budget. Revenue budgets will be in the accounting software going forward.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

Board of County Commissioners
Steele County
Finley, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Steele County, Finley, North Dakota, for the years ended December 31, 2014 and 2013 which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 14, 2016. 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 AND OMB CIRCULAR A-133

As stated in our engagement letter dated December 4, 2015, 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.

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 opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by OMB Circular A-133.

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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Steele County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the purpose of expressing an opinion on Steele County's compliance with those requirements over the major federal program. While our audit provides a reasonable basis for our opinion over compliance for the major federal program, it does not provide a legal determination on Steele County's compliance with those requirements.

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 years ended December 31, 2014 and 2013. 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.

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. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 14, 2016.

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:

LACK OF SOCIAL SERVICE DOCUMENTATION

During our testing of the SFN 119's in 2013 and 2014, it was noted that the June and December 2013 reports did not match the supporting documentation; thus, causing a \$13,377.36 error. It was also noted that the Social Service office does not reconcile their fund balance with the County's general ledger. An adequate check and balance system was not in place to oversee that the Social Service Office was correctly preparing their SFN 119 reports in 2013 and also agreeing their fund balance to the County's ledger on a regular basis.

We recommend that the Social Service Office and the County reconcile on a regular basis to ensure that both the Social Service and County records are up to date and accurate at all times.

UNDER-PLEDGED SECURITIES

A review of client documentation of securities pledged indicated that Steele County was under-pledged at 2/28/13 at Citizens State Bank by \$545,790.18; 12/31/13 at First Financial Bank by \$10,641.50; 2/28/14 at First Financial Bank by \$2,099.97; and 12/31/14 at First Financial Bank by \$29,122.79. NDCC 21-04-09 states in part "when securities are so pledged to the board of any public corporation, the board shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits." Pledges are to be maintained in the amount of 110% above FDIC coverage.

NDCC 21-04-09 states in part "when securities are so pledged to the board of any public corporation, the board shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits." Pledges are to be maintained in the amount of 110% above FDIC coverage.

We recommend that adequate pledges of securities are maintained at all times in accordance with state law. We further recommend that the client pay special attention to high-balance months.

LACK OF CONTROL OVER PERSONNEL FILES

Per testing of the new hires & terminations for 2013 and 2014, it was found that personnel records did not contain all necessary and expected documents in the file kept in the County Auditor's office. A proper system of internal controls requires better controls over its record-keeping practices. All records pertaining to personnel should be maintained in an organized manner. It is important to get all employee information upon beginning of employment.

All records pertaining to personnel should be maintained in an organized manner. It is important to get all employee information upon beginning of employment.

We recommend that Steele County include all pertinent employee documentation in personnel files that are kept in one secure location.

LACK OF SUPPORTING DOCUMENTATION - JDA

Out of the fifteen expenditures tested in our audit sample for the Steele County JDA, one did not have adequate documentation supporting the amount spent and recorded in the check register. Strong/effective internal control over properly reporting and processing expenditures requires obtaining and maintaining invoices or other appropriate documentation to support the reason for the expenditure.

We recommend that the Steele County JDA maintain adequate supporting documentation for all expenditures.

OVERSPENT FUNDS

A review of client fund expenditures (actual and budgeted) indicated that Steele County had overspent various funds during the audit period of December 31, 2014 and December 31, 2013. It was also noted that several funds were not budgeted. NDCC section 11-23-06 states "...No county expenditure may be made or liability incurred, nor may a bill be paid for any purpose, in excess of the appropriation, except as provided in section 11-23-07 and internal control over expenditures."

We recommend Steele County carefully budget and amend the budget for any unforeseen expenditures in excess of budgeted amounts to comply with NDCC section 11-23-06.

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.

STEELE COUNTY
Management's Letter - Continued

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.

A handwritten signature in cursive script that reads "Bob Peterson". The signature is written in black ink and is positioned above the typed name and title.

Robert R. Peterson
State Auditor

January 14, 2016

You may obtain audit reports on the internet at:

www.nd.gov/auditor/

or by contacting the
Division of Local Government Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

(701) 328-2241