

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**STEELE COUNTY
FINLEY, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



STEELE COUNTY
Finley, North Dakota

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For the Year Ended December 31, 2012

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STEELE COUNTY
Finley, North Dakota

COUNTY OFFICIALS

December 31, 2012

Chairman	Lance Fugleberg
Vice-Chairman	Jane Amundson
Commissioner	Ted Johnson
Commissioner	Dennis Lindstrom
Commissioner	Randy Richards
County Auditor	Linda Leadbetter
County Treasurer	Kari Crawford
County Recorder	Lisa Jacobsen
Clerk of Court	Lisa Jacobsen
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 discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County, Finley, North Dakota, as of and for the year ended December 31, 2012, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County, Finley, North Dakota, as of December 31, 2012, 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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 26-30 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* is presented for purposes of additional analysis and is not a required part of the financial statements.

The *schedule of fund activity arising from cash transactions* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity arising from cash transactions* is not fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2013 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

August 9, 2013

STEELE COUNTY
Finley, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	Primary	Component Units	
	Government	Water	Job
	Governmental	Resource	Development
	Activities	District	Authority
ASSETS			
Cash, cash equivalents and investments	\$ 4,117,770	\$ 300,911	\$ 516,147
Intergovernmental receivable	467,165	-	-
Road accounts receivable	40,858	-	-
Taxes receivable	33,281	1,483	1,112
Loans receivable	-	-	93,832
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):			
Buildings	524,546	-	-
Machinery & Equipment	546,493	-	-
Vehicles	51,857	-	-
Infrastructure	972,108	846,580	-
Office Equipment	2,000	-	-
Total Capital Assets	\$ 2,102,429	\$ 918,503	\$ -
Total Assets	\$ 6,761,503	\$ 1,279,097	\$ 611,091
LIABILITIES			
Current Liabilities:			
Salaries and benefits payable	\$ -	\$ 56	\$ -
Contracts payable	55,738	-	-
Interest payable	-	10,407	-
Non-Current Liabilities:			
Due Within One Year:			
Loans payable	8,537	15,361	-
Bonds payable	-	56,000	-
Compensated absences payable	1,912	130	130
Due After One Year:			
Loans payable	-	108,050	-
Bonds payable	-	480,000	-
Disaster Drawdown	-	321,000	-
Compensated absences payable	17,206	1,167	1,173
Total Liabilities	\$ 83,393	\$ 992,171.00	\$ 1,303
NET POSITION			
Net Investment in Capital Assets	\$ 2,093,892	\$ -	\$ -
Restricted for:			
Debt service	34,897	-	-
Public safety	49,337	-	-
Highways and bridges	1,667,418	-	-
Health and welfare	265,703	-	-
Culture and recreation	21,609	-	-
Conservation of natural resources	254,881	286,926	-
Emergencies	160,895	-	-
Flood Control	401,395	-	-
General Government	696,044	-	-
Economic Development	-	-	609,788
Unrestricted	1,032,039	-	-
Total Net Position	\$ 6,678,110	\$ 286,926	\$ 609,788

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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, Forfeits & 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	\$ 782,208	\$ 45,408	\$ -	\$ -	\$ (736,800)		
Public safety	302,725	57,100	71,953	-	(173,672)		
Highways and bridges	957,615	172,142	707,116	221,285	142,928		
Health and welfare	485,508	12,602	25,413	-	(447,493)		
Conserv. of natural resources	73,789	-	206,019	-	132,230		
Culture and recreation	90,111	31,969	18,213	-	(39,929)		
Interest	505	-	-	-	(505)		
Total Governmental Activities	\$ 2,692,461	\$ 319,221	\$ 1,028,714	\$ 221,285	\$ (1,123,241)		
Component Units:							
Water resource district	\$ 549,993	\$ -	\$ 67,501	\$ -	\$ (482,492)	\$ -	
Job development authority	115,378	-	-	-	-	(115,378)	
Total Component Units	\$ 665,371	\$ -	\$ 67,501	\$ -	\$ (482,492)	\$ (115,378)	
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					\$ 474,766	\$ 85,711	\$ 67,656
Property taxes; levied for special purposes					1,477,787	213,132	-
Property taxes; levied for debt service					255	-	-
Sales taxes					130,254	-	-
Grants and contributions not restricted to specific programs					356,116	15,334	-
Unrestricted investment earnings					15,739	917	3,428
Miscellaneous revenue					221,810	4,809	46,022
Unrealized gain (loss) on investments					-	-	(904)
Total General Revenues					\$ 2,676,727	\$ 319,903	\$ 116,202
Change in Net Position					\$ 1,553,486	\$ (162,589)	\$ 824
Net Position - January 1					\$ 5,124,624	\$ 449,515	\$ 608,964
Net Position - December 31					\$ 6,678,110	\$ 286,926	\$ 609,788

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

STEELE COUNTY
Finley, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	General	County Road & Bridge	Farm to Market Road	Highway Tax Distribution	OASIS & Social Security	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and cash equivalents	\$ 940,082	\$ 49,876	\$ 550,117	\$ 366,303	\$ 443,832	\$ 1,767,560	\$ 4,117,770
Intergovernmental receivable	73,051	-	7,833	290,663	-	95,618	467,165
Road receivable	-	40,858	-	-	-	-	40,858
Due from other fund	10,768	-	-	-	-	-	10,768
Taxes receivable	8,139	2,916	3,708	-	4,526	13,992	33,281
Total Assets and Deferred Outflows of Resources	\$ 1,032,040	\$ 93,650	\$ 561,658	\$ 656,966	\$ 448,358	\$ 1,877,170	\$ 4,669,842
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Due to other fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,768	\$ 10,768
Deferred Inflows Of Resources:							
Road receivable	\$ -	\$ 40,858	\$ -	\$ -	\$ -	\$ -	\$ 40,858
Taxes receivable	8,139	2,916	3,708	-	4,526	13,992	33,281
Total Liabilities And Deferred Inflows of Resources	\$ 8,139	\$ 43,774	\$ 3,708	\$ -	\$ 4,526	\$ 24,760	\$ 84,907
Fund Balances:							
Restricted for:							
General Government	\$ -	\$ -	\$ -	\$ -	\$ 443,832	\$ 255,810	\$ 699,642
Public safety	-	-	-	-	-	65,683	65,683
Highways and bridges	-	49,876	557,950	656,966	-	411,805	1,676,597
Health and welfare	-	-	-	-	-	268,155	268,155
Culture and recreation	-	-	-	-	-	21,341	21,341
Conservation of natural resources	-	-	-	-	-	253,398	253,398
Emergency	-	-	-	-	-	159,186	159,186
Flood Control	-	-	-	-	-	393,570	393,570
Debt Service	-	-	-	-	-	34,230	34,230
Unassigned:	1,023,901	-	-	-	-	(10,768)	1,013,133
Total Fund Balances	\$ 1,023,901	\$ 49,876	\$ 557,950	\$ 656,966	\$ 443,832	\$ 1,852,410	\$ 4,584,935
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,032,040	\$ 93,650	\$ 561,658	\$ 656,966	\$ 448,358	\$ 1,877,170	\$ 4,669,842

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, 2012

Total *Fund Balances* of Governmental Funds \$ 4,584,935

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	\$ 3,619,174	
Less Accumulated Depreciation	<u>(1,516,745)</u>	
Net Capital Assets		2,102,429

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	\$ 33,281	
Road Department Accounts Receivable	<u>40,858</u>	74,139

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, 2012 are:

Loans Payable	\$ (8,537)	
Contracts Payable	(55,738)	
Compensated Absences Payable	<u>(19,118)</u>	
Total Long-Term Liabilities		<u>(83,393)</u>

Total Net Position of Governmental Activities \$ 6,678,110

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, 2012

	General	County Road & Bridge	Farm to Market Road	Highway Tax Distribution	OASIS & Social Security	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 475,732	\$ 159,689	\$ 212,451	\$ -	\$ 255,865	\$ 983,835	\$ 2,087,572
Intergovernmental	304,228	11,673	29,652	706,541	8,241	324,495	1,384,830
Charges for services	81,496	219,087	-	-	-	67,381	367,964
Interest income	15,739	-	-	-	-	-	15,739
Miscellaneous	95,078	19,164	-	-	25,409	82,159	221,810
Total Revenues	\$ 972,273	\$ 409,613	\$ 242,103	\$ 706,541	\$ 289,515	\$ 1,457,870	\$ 4,077,915
Expenditures:							
Current:							
General government	\$ 538,037	\$ -	\$ -	\$ -	\$ 181,883	\$ 45,933	\$ 765,853
Public safety	247,674	-	-	-	-	24,199	271,873
Highways and bridges	-	742,123	1,927	-	-	187,561	931,611
Health and welfare	60,145	-	-	-	-	428,183	488,328
Culture and recreation	-	-	-	-	-	66,999	66,999
Conservation of natural resources	-	-	-	-	-	86,491	86,491
Debt Service:							
Principal	8,288	-	-	-	-	-	8,288
Interest	505	-	-	-	-	-	505
Total Expenditures	\$ 854,649	\$ 742,123	\$ 1,927	\$ -	\$ 181,883	\$ 839,366	\$ 2,619,948
Excess (Deficiency) of Revenues Over Expenditures	\$ 117,624	\$ (332,510)	\$ 240,176	\$ 706,541	\$ 107,632	\$ 618,504	\$ 1,457,967
Other Financing Sources (Uses):							
Transfers in	\$ -	\$ 174,707	\$ -	\$ -	\$ -	\$ 31,706	\$ 206,413
Transfers out	-	-	-	(174,707)	-	(31,706)	(206,413)
Total Other Financing Sources and Uses	\$ -	\$ 174,707	\$ -	\$ (174,707)	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ 117,624	\$ (157,803)	\$ 240,176	\$ 531,834	\$ 107,632	\$ 618,504	\$ 1,457,967
Fund Balances - January 1	\$ 906,277	\$ 207,679	\$ 317,774	\$ 125,132	\$ 336,200	\$ 1,233,906	\$ 3,126,968
Fund Balances - December 31	\$ 1,023,901	\$ 49,876	\$ 557,950	\$ 656,966	\$ 443,832	\$ 1,852,410	\$ 4,584,935

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, 2012

Net Change in *Fund Balances* - Total Governmental Funds \$1,457,967

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 exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 414,300	
Current Year Depreciation Expense	<u>(217,656)</u>	196,644

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

Repayment of Debt - Loans		\$ 8,288
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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 Change in Contracts Payable	\$ (55,738)	
Net Change in Compensated Absences	<u>(422)</u>	(56,160)

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 Change in Taxes Receivable	\$ (4,510)	
Net Change in Road Accounts Receivable	<u>(48,743)</u>	<u>(53,253)</u>

Change in Net Position of Governmental Activities		<u>\$1,553,486</u>
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The notes to the financial statements are an integral part of this statement.

STEELE COUNTY
Finley, North Dakota

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 1,739,780</u>
<u>LIABILITIES</u>	
Due to other governments	<u>\$ 1,739,780</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, 2012

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:

	2012
Historical Society	\$15,958
Senior Citizens	35,825

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Steele 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 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.

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

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

OASIS & Social Security Fund. This fund accounts for amounts levied and legally restricted to meet the County's share of social security payments on wages and salaries paid to employees. The primary revenue source in this fund is a restricted tax levy.

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 year ended December 31, 2012 consist of certificates of deposit stated at fair value.

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.

STEELE COUNTY

Notes to the Financial Statements - Continued

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.

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 \$1,023,901 at December 31, 2012 represented 120% of annual 2012 general fund expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (road & bridge, farm to market road, highway tax distribution, and OASIS & social security) are disclosed in more detail in Note 1B in the discussion of major funds.

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

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

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.

TABLE CONTINUED ON NEXT PAGE..

STEELE COUNTY

Notes to the Financial Statements - Continued

CLASSIFICATION	DEFINITION	EXAMPLES
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, 2012.

Restricted Fund Balances – consist of the following items at December 31, 2012:

Restricted fund balances are shown by primary function on the balance sheet 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). 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).

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 2012 consist of an amount in the general fund totaling \$1,023,901 and an amount reported for negative cash balances (\$10,768) in the non-major special revenue funds for the ambulance fund and the insurance reserve fund.

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.

The county implemented the provisions of GASB 63 'Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position' during the year ended December 31, 2012. Prior to GASB 63, equity in the statement of net assets was reported in the applicable categories of net assets. Under the provisions of GASB 63, the net assets statement was changed to the statement of net position, and net assets equity was changed to net position. GASB 63 didn't change how net position is calculated into the 3 primary categories as outlined in further detail below.

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.

STEELE COUNTY

Notes to the Financial Statements - Continued

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 (e-911). 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 - BUDGETSBUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2012 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General	\$969,818	\$60,000	\$1,029,818
County Road & Bridge	837,863	5,000	842,863
<u>Non Major Funds:</u>			
Veterans Service	7,732	1,500	9,232
Health Insurance	156,000	7,000	163,000

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.

STEELE COUNTY

Notes to the Financial Statements - Continued

At year ended December 31, 2012, the county's carrying amount of deposits was \$5,821,848 and the bank balances were \$5,872,529. Of the bank balances, \$1,263,674 was covered by Federal Depository Insurance. The remaining bank balances totaling \$4,596,947 were collateralized with securities held by the pledging financial institution's agent in the government's name, and \$11,909 was held at the Bank of North Dakota (not requiring collateralization).

The Water Resource District's carrying amount of deposits was \$300,911 and the bank balances were \$302,222. Of the bank balances, \$302,222 was covered entirely by Federal Depository Insurance.

The Job Development Authority's carrying amount of deposits was \$508,482 and the bank balances were \$518,032. Of the bank balances, \$518,032 was covered entirely by Federal Depository Insurance.

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, 2012, the County held certificates of deposit in the amount of \$2,187,801, the Job Development Authority held \$450,300, and the Water Resource District held \$141,369, which are all 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.

STEELE COUNTY

Notes to the Financial Statements - Continued

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 represent the amount of negative cash at year-end that was covered by the general fund (\$10,768) in the E-911 fund (\$10,768).

NOTE 6: ROAD RECEIVABLE

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

NOTE 7: 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 8: DEFERRED INFLOWS OF RESOURCES

Steele County early implemented provisions of GASB 65 "Items Previously Reported as Assets and Liabilities" during the year ended December 31, 2012. Prior to GASB 63, the offset to taxes receivable was reported as a liability in the balance sheet, but is now reported as a deferred inflow of resources under the provisions of GASB 65.

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.

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2012 for the primary government:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,425	\$ -	\$ -	\$ 5,425
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 910,899	\$ -	\$ -	\$ 910,899
Machinery & Equipment	1,208,666	98,000	-	1,306,666
Vehicles	248,640	-	12,315	236,325
Infrastructure	801,257	316,300	-	1,117,557
Office Equipment	42,302	-	-	42,302
Total Capital Assets, Being Depreciated	\$3,211,764	\$414,300	\$12,315	\$3,613,749
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 370,792	\$ 15,561	\$ -	\$ 386,353
Machinery & Equipment	629,160	131,013	-	760,173
Vehicles	159,080	37,703	12,315	184,468
Infrastructure	117,510	27,939	-	145,449
Office Equipment	34,862	5,440	-	40,302
Total Accumulated Depreciation	\$1,311,404	\$217,656	\$12,315	\$1,516,745
Total Capital Assets Being Depreciated, Net	\$1,900,360	\$196,644	\$ -	\$2,097,004
Governmental Activities-Capital Assets, Net	\$1,905,785	\$196,644	\$ -	\$2,102,429

STEELE COUNTY

Notes to the Financial Statements - Continued

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

Governmental Activities:	Amounts
General Government	\$ 16,301
Highways and Bridges	161,152
Public Safety	29,793
Culture and Recreation	6,790
Conservation of Natural Resources	3,620
Total Depreciation Expense-Governmental Activities	\$217,656

Component Unit – Steele County Water Resource District:

The following is a summary of changes in capital assets for the years ended December 31, 2012 for the Steele County Water Resource District:

Steele County Water Resource District	Balance January 1	Increases	Decreases	Balance December 31
<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	\$ 75,252	18,813	\$ -	\$ 94,065
Total Accumulated Depreciation	\$ 75,252	\$ 18,813	\$ -	\$ 94,065
Total Capital Assets Being Depreciated, Net	\$865,393	\$(18,813)	\$ -	\$846,580
Governmental Activities-Capital Assets, Net	\$937,316	\$(18,813)	\$ -	\$918,503

Depreciation in 2012 of \$18,813 was charged to conservation of natural resources function.

Amortization of Intangible Assets:

Steele County Water Resource District:	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Governmental Activities:				
<i>Intangible asset, not being amortized:</i>				
Land Easement	\$58,200	\$ -	\$ -	\$58,200
<i>Governmental Activities-Intangible Assets, Net</i>	\$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 10: 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 11: CONTRACTS PAYABLE

Contracts payable consist of amounts owed to various construction contractors for the new school building at June 30, 2012, but not paid until after year-end.

STEELE COUNTY

Notes to the Financial Statements - Continued

NOTE 12: LONG-TERM DEBT

Primary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2012; the following changes occurred in governmental activities long-term liabilities for Steele County:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	\$16,825	\$ -	\$8,287	\$ 8,537	\$ 8,537
Compensated Absences *	18,696	422	-	19,118	1,912
Total Governmental Activities	\$35,521	\$422	\$8,287	\$27,655	\$10,449

* 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, 2012 for the primary government governmental activities consists of the following issues:

Loans Payable:

\$75,000 Loan with Griggs-Steele Empowerment Zone; annual payments of \$8,793.51 through 11-04-2013; with interest at 3.0%. \$8,537

The annual requirements to amortize the outstanding debt, excluding compensated absences are as follows for the year ended December 31, 2012:

PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Loans Payable	
	Principal	Interest
2013	\$8,537	\$256

DISCRETELY PRESENTED COMPONENT UNIT:

Steele County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in governmental and enterprise long-term liabilities of the District:

Steele County Water Resource District	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bonds Payable	\$592,000	\$ -	\$ 56,000	\$536,000	\$56,000
Loans Payable	317,070	-	193,659	123,411	15,361
Disaster Drawdown	-	321,000	-	321,000	-
Compensated Absences *	-	1,297	-	1,297	130
Total Governmental Activities	\$909,070	\$322,297	\$249,659	\$981,708	\$71,491

* 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.

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. \$ 34,611

STEELE COUNTY

Notes to the Financial Statements - Continued

Loans Payable (Continued):

\$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.	\$ 59,070
\$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>29,730</u>
Total Loans Payable	<u>\$123,411</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%.	\$116,000
\$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>420,000</u>
Total Bonds Payable	<u>\$536,000</u>

Debt service requirements on long-term debt for the discretely presented component unit at December 31, 2012 are as follows:

COMPONENT UNIT - WATER RESOURCE DISTRICT				
Year Ending December 31	Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2013	\$ 56,000	\$ 22,700	\$ 15,361	\$ 6,860
2014	56,000	20,365	16,199	6,022
2015	56,000	18,018	17,084	5,139
2016	56,000	15,674	17,720	4,189
2017	61,000	13,157	10,533	3,242
2018 – 2022	251,000	19,690	33,267	8,737
2023 - 2027	-	-	13,248	1,048
Totals	\$536,000	\$109,604	\$123,412	\$35,237

Disaster Drawdown:

\$321,000 Line of Credit from Citizen’s State Bank for FEMA Disaster Assistance. Payment schedule and interest rate will not be set until after FEMA reimburses the water resource district its share in 2013.	<u>\$321,000</u>
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NOTE 13: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2012:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
County Road & Bridge	\$174,707	\$ -
Highway Tax Distribution	-	174,707
<u>Special Revenue Funds:</u>		
Social Services	-	31,706
Human Services	31,706	-
Total Transfers	\$206,413	\$206,413

STEELE COUNTYNotes to the Financial Statements - Continued

NOTE 14: PENSION PLANNorth Dakota Public Employee's Retirement System

Steele County contributes to the North Dakota Public Employee's Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota, 58502-1214.

During January 1, 2012 through December 31, 2012, plan members were required to contribute 5% of their annual covered salary. Steele County has elected to contribute the employees required contribution. The county was required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of 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, 2012, 2011, and 2010 were \$44,119, \$41,776, and \$42,963 and actual contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$87,204, \$75,262, and \$75,634.

NOTE 15: 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 \$1,994,041.

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 16: JOINT VENTURE

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2012, which is the most current audited information available:

GOVERNMENTAL ACTIVITIES	
Total Assets	\$6,082,576
Total Liabilities	<u>37,515</u>
Net Position	<u>\$6,045,061</u>
Revenues	\$2,105,063
Expenses	<u>585,461</u>
Change in Net Position	<u>\$1,519,601</u>

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 17: MICRO LOAN & RURAL DEVELOPMENT INTERMEDIARY RELENDING PROGRAM - JDAIntermediary Relending Program:

The Steele County Job Development Authority (SCJDA) participates in the Rural Development Intermediary Relending Program through the Lake Agassiz Regional Development Corporation (LARDC). This program enables businesses throughout North Dakota, in rural areas – with a population less than 25,000, to obtain a loan with a significantly low interest rate that can be used for real estate, fixed assets, working capital, and inventory. The amount of each loan varies, with a maximum up to \$150,000. The amount of matching funds required by the LARDC is 25% of the loan amount; however, the matching may vary from the 25% because they do take into consideration other matches the SCJDA has contributed for other Intermediary Relending Program loans. The matching of funds from the SCJDA in a non-refundable contribution to the Rural Development Intermediary Relending Program handled by the LARDC; these funds are revolved and used to fund other Intermediary Relending Loans. If a loan goes default, then both the LARDC and the SCJDA are out the balance due. As of December 31, 2012, the SCJDA has provided \$93,832 to the Intermediary Relending Program through the LARDC.

STEELE COUNTYNotes to the Financial Statements - Continued

NOTE 18: DEFICIT BALANCES

The following fund was in a deficit position at December 31, 2012:

County Funds	Balance
E-911 Fund	\$(10,768)

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

NOTE 19: OPERATING LEASES

The county leases copiers under non-cancelable operating leases. Total costs for such leases were \$6,050 for the year ended December 31, 2012. The future minimum lease payments for these leases are as follows:

GOVERNMENTAL ACTIVITIES	
Year Ending December 31	Amounts
2013	\$1,815
2014	1,815
2015	1,815
2016	605
Totals	\$6,050

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 475,732	\$ 475,732
Intergovernmental	-	-	304,228	304,228
Charges for services	-	-	81,496	81,496
Interest income	-	-	15,739	15,739
Miscellaneous	-	-	95,078	95,078
Total Revenues	\$ -	\$ -	\$ 972,273	\$ 972,273
<u>Expenditures:</u>				
Current:				
General government	\$ 651,226	\$ 711,226	\$ 538,037	\$ 173,189
Public safety	242,972	242,972	247,674	(4,702)
Health and welfare	66,820	66,820	60,145	6,675
Debt Service:				
Principal	8,800	8,800	8,288	512
Interest & Service Charges	-	-	505	(505)
Total Expenditures	\$ 969,818	\$ 1,029,818	\$ 854,649	\$ 175,169
Excess (Deficiency) of Revenues Over Expenditures	\$ (969,818)	\$ (1,029,818)	\$ 117,624	\$ 1,147,442
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total Other Financing Sources and Uses	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ (969,818)	\$ (1,029,818)	\$ 117,624	\$ 1,147,442
Fund Balances - January 1	\$906,277	\$906,277	\$906,277	\$684,397
Fund Balances - December 31	\$ (63,541)	\$ (123,541)	\$ 1,023,901	\$ 1,831,839

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, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 159,689	\$ 159,689
Intergovernmental	-	-	11,673	11,673
Charges for services	-	-	219,087	219,087
Miscellaneous	-	-	19,164	19,164
Total Revenues	\$ -	\$ -	\$ 409,613	\$ 409,613
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 837,863	\$ 842,863	\$ 742,123	\$ 100,740
Excess (Deficiency) of Revenues Over Expenditures	\$ (837,863)	\$ (842,863)	\$ (332,510)	\$ 510,353
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 174,707	\$ 174,707
Net Change in Fund Balances	\$ (837,863)	\$ (842,863)	\$ (157,803)	\$ 685,060
Fund Balances - January 1	\$ 207,679	\$ 207,679	\$ 207,679	\$ 393,836
Fund Balances - December 31	\$ (630,184)	\$ (635,184)	\$ 49,876	\$ 1,078,896

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, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 212,451	\$ 212,451
Intergovernmental	-	-	29,652	29,652
Total Revenues	\$ -	\$ -	\$ 242,103	\$ 242,103
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 252,000	\$ 252,000	\$ 1,927	\$ 250,073
Excess (Deficiency) of Revenues Over Expenditures	\$ (252,000)	\$ (252,000)	\$ 240,176	\$ 492,176
Fund Balances - January 1	\$ 317,774	\$ 317,774	\$ 317,774	\$ -
Fund Balances - December 31	\$ 65,774	\$ 65,774	\$ 557,950	\$ 492,176

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, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 706,541	\$ 706,541
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 706,541	\$ 706,541
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (174,707)	\$ (174,707)
Net Change in Fund Balances	\$ -	\$ -	\$ 531,834	\$ 531,834
Fund Balances - January 1	\$ 125,132	\$ 125,132	\$ 125,132	\$ (150,173)
Fund Balances - December 31	\$ 125,132	\$ 125,132	\$ 656,966	\$ 381,661

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
OASIS AND SOCIAL SECURITY FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 255,865	\$ 255,865
Intergovernmental	-	-	8,241	8,241
Miscellaneous	-	-	25,409	25,409
Total Revenues	\$ -	\$ -	\$ 289,515	\$ 289,515
<u>Expenditures:</u>				
Current:				
General Government	\$ 231,000	\$ 231,000	\$ 181,883	\$ 49,117
Excess (Deficiency) of Revenues Over Expenditures	\$ (231,000)	\$ (231,000)	\$ 107,632	\$ 338,632
Fund Balances - January 1	\$336,200	\$336,200	\$336,200	\$ -
Fund Balances - December 31	\$ 105,200	\$ 105,200	\$ 443,832	\$ 338,632

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, 2012

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.

STEELE COUNTY
Finley, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
Major Funds:						
General Fund	\$ 772,462.33	\$ 954,966.75	\$ -	\$ 6,000.00	\$ 849,654.01	\$ 871,775.07
Capital Projects General Fund	77,369.51	701.00	6,000.00	-	4,995.36	79,075.15
Total General Fund	\$ 849,831.84	\$ 955,667.75	\$ 6,000.00	\$ 6,000.00	\$ 854,649.37	\$ 950,850.22
Special Revenue Funds:						
County Road and Bridge	\$ 196,786.77	\$ 407,095.38	\$ 174,707.42	\$ -	\$ 728,723.18	\$ 49,866.39
Capital Projects Road Fund	10.39	13,398.80	-	-	13,400.00	9.19
Total Road and Bridge Fund	\$ 196,797.16	\$ 420,494.18	\$ 174,707.42	\$ -	\$ 742,123.18	\$ 49,875.58
Farm to Market Road	\$ 317,774.17	\$ 234,270.22	\$ -	\$ -	\$ 1,927.00	\$ 550,117.39
Highway Tax Distribution	88,898.91	452,111.85	-	174,707.42	-	366,303.34
Oasis and Social Security	336,199.86	289,514.82	-	-	181,883.09	443,831.59
Total Major Special Revenue Funds	\$ 939,670.10	\$ 1,396,391.07	\$ 174,707.42	\$ 174,707.42	\$ 925,933.27	\$ 1,410,127.90
Total Major Funds	\$ 1,789,501.94	\$ 2,352,058.82	\$ 180,707.42	\$ 180,707.42	\$ 1,780,582.64	\$ 2,360,978.12
Non-Major Funds:						
Special Revenue Funds:						
County Sales Tax	\$ 174,591.14	\$ 118,424.79	\$ -	\$ -	\$ 16,100.00	\$ 276,915.93
Utility Permits	75,029.99	-	-	-	-	75,029.99
Weight Restriction Management	12,970.00	1,797.82	-	-	3,780.00	10,987.82
County Road - 5 Mill	34,306.93	116,299.37	-	-	42,564.82	108,041.48
Correctional Facility	21,205.94	21,576.20	-	-	8,052.02	34,730.12
County Share of Specials	2,394.14	-	-	-	-	2,394.14
Social Services Fund	31,706.02	-	-	31,706.02	-	-
Human Services Fund	170,578.45	316,613.13	31,706.02	-	260,660.12	258,237.48
911 Fund	(4,703.67)	7,510.32	-	-	13,575.00	(10,768.35)
911 Wireless Fund	13,251.40	13,502.25	-	-	2,572.10	24,181.55
Insurance Reserve	43,668.70	80,171.86	-	-	45,933.15	77,907.41
Flood Control - 2004	(1,396.21)	1,396.21	-	-	-	-
Hazardous Chemical Preparedness	6,233.36	537.50	-	-	-	6,770.86
Emergency Fund	28,361.40	129,530.09	-	-	-	157,891.49
Flood 2009	101,859.74	-	-	-	-	101,859.74
Flood 2010	70,216.71	-	-	-	-	70,216.71
Flood 2011	77,512.39	208,825.54	-	-	125,069.66	161,268.27
Veterans Service Officer	7,404.17	8,797.60	-	-	8,464.10	7,737.67
Health Care Insurance	59,625.96	189,512.86	-	-	159,059.21	90,079.61
County Agent	130,926.76	50,256.32	-	-	36,340.94	144,842.14
County Agent Special Fund	5,356.45	2,168.82	-	-	1,422.00	6,103.27
Weed Control	62,427.89	68,417.86	-	-	48,727.79	82,117.96
County Park	(17,761.59)	105,589.63	-	-	66,999.16	20,828.88
Document Preservation Fund	9,765.47	5,468.93	-	-	47.00	15,187.40
Total Non-Major Special Revenue Funds	\$ 1,115,531.54	\$ 1,446,397.10	\$ 31,706.02	\$ 31,706.02	\$ 839,367.07	\$ 1,722,561.57
Debt Service Funds (Non-Major):						
County Bond	\$ 267.21	\$ -	\$ -	\$ -	\$ -	\$ 267.21
County Bond 2001	32,029.31	1,933.83	-	-	-	33,963.14
Total Debt Service Funds	\$ 32,296.52	\$ 1,933.83	\$ -	\$ -	\$ -	\$ 34,230.35
Total Non-Major Funds	\$ 1,147,828.06	\$ 1,448,330.93	\$ 31,706.02	\$ 31,706.02	\$ 839,367.07	\$ 1,756,791.92
Total Governmental Funds	\$ 2,937,330.00	\$ 3,800,389.75	\$ 212,413.44	\$ 212,413.44	\$ 2,619,949.71	\$ 4,117,770.04

Continued on next page.....

STEELE COUNTY
Finley, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
CONTINUED.....						
<u>Agency Funds:</u>						
Job Development Authority	\$ 533.71	\$ 64,308.63	\$ -	\$ -	\$ 64,612.50	\$ 229.84
Senior Citizens	167.75	35,789.50	-	-	35,825.08	132.17
Historical Society	125.81	15,931.40	-	-	15,958.08	99.13
State Tax	132.71	21,440.72	-	-	21,496.82	76.61
Civil Filing Fees	1,250.00	-	-	-	-	1,250.00
Game and Fish License	1,145.00	9,559.00	-	-	9,531.00	1,173.00
Victim Advocacy	1,850.00	-	-	-	-	1,850.00
Payroll Deductions	3,208.00	150.10	-	-	114.49	3,243.61
Mobile Home Tax	552.73	727.56	-	-	552.73	727.56
Steele County Soil Conservation	132.71	21,478.18	-	-	21,478.72	132.17
Total Cities	4,117.20	456,686.08	-	-	457,939.53	2,863.75
Total Parks	783.17	49,324.47	-	-	50,048.30	59.34
Total Schools	16,020.76	2,610,901.59	-	-	2,617,630.56	9,291.79
Total Townships	3,248.17	936,486.18	-	-	937,519.73	2,214.62
Total Water Resource District	840.73	140,809.37	-	-	141,116.02	534.08
Total Rural Fire Districts	1,200.59	130,425.06	-	-	130,642.13	983.52
Unapportioned Taxes	1,378,977.16	1,714,919.17	-	-	1,378,977.16	1,714,919.17
Total Agency Funds	\$ 1,414,286.20	\$ 6,208,937.01	\$ -	\$ -	\$ 5,883,442.85	\$ 1,739,780.36
Total Primary Government	\$ 4,351,616.20	\$ 10,009,326.76	\$ 212,413.44	\$ 212,413.44	\$ 8,503,392.56	\$ 5,857,550.40

STATE AUDITOR

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MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117

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

Independent Auditor's Report

Board of County Commissioners
Steele County
Finley, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Steele County's basic financial statements, and have issued our report thereon dated August 9, 2013.

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 [2012-01].

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 2012-01.

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

August 9, 2013

STEELE COUNTY
Finley, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

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

Internal control over financial reporting:

Material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None noted
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No

Section II - Financial Statement Findings

2012-01 – LACK OF REVENUE BUDGET

Condition:

Steele County did not have budgeted revenue, transfers and fund balance information properly stated in the 2012 budget. 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 2012 revenue budget.

Effect:

The potential revenue collected, transfers, and fund balance information for all funds may have had an impact on the approved 2012 budget, including the proper calculation of tax levies.

Cause:

The client was unable to produce 2012 revenue budget documentation. 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.*

STEELE COUNTY

Schedule of Findings and Questioned Costs – Continued

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 entered into the accounting software going forward.