

AUDIT REPORT

CITY OF STEELE
Steele, North Dakota

For the Years Ended December 31, 2024 and 2023

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF STEELE
Steele, North Dakota

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CITY OF STEELE
Steele, North Dakota

CITY OFFICIALS
December 31, 2024

Jonathan Harter	Mayor
Bob Anderson	Council President
Jorey Kartes	Council Vice President
Stuart Blotter	Council Member
Luke Reski	Council Member
Josh Rode	Council Member
Jason Rutledge	Council Member
Norm Fries	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Steele
Steele, North Dakota

Report on the Audit of Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Steele, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the city as of December 31, 2024 and 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the years then ended in accordance with modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter – Basis of Accounting / Prior Period Adjustments

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Additionally, we draw attention to Note 10 of the financial statements, which describes a prior period adjustment made to the December 31, 2022 balances.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 city's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the city's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information and the schedules of fund activity arising from cash transactions are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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 budgeting comparison information and the schedules of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2025 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 22, 2025

CITY OF STEELE
Steele, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash, Cash Equivalents and Investments	1,443,562.85	338,397.76	1,781,960.61
Advance to Water Fund	68,472.30		68,472.30
Capital Assets (net of accumulated depreciation):			
Land	40,000.00		40,000.00
Buildings and Infrastructure	987,889.00	1,029,130.00	2,017,019.00
Machinery and Vehicles	179,967.00	6,600.00	186,567.00
Total Capital Assets	1,207,856.00	1,035,730.00	2,243,586.00
Total Assets	2,719,891.15	1,374,127.76	4,094,018.91
<u>LIABILITIES:</u>			
Long-Term Liabilities:			
Due Within One Year:			
Bank Loan Payable	30,982.12		30,982.12
Revenue Bonds Payable	180,000.00	22,000.00	202,000.00
Due After One Year:			
Advance from Sales and Use Tax Fund		68,472.30	68,472.30
Bank Loan Payable	69,167.88		69,167.88
Revenue Bonds Payable	1,630,000.00	525,800.00	2,155,800.00
Total Liabilities	1,910,150.00	616,272.30	2,526,422.30
<u>NET POSITION:</u>			
Net Investment in Capital Assets	187,108.51	419,457.70	606,566.21
Restricted for:			
Debt Service		74,805.00	74,805.00
Special Purposes	622,575.88		622,575.88
Unrestricted	56.76	263,592.76	263,649.52
Total Net Position	809,741.15	757,855.46	1,567,596.61

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash, Cash Equivalents and Investments	717,216.06	347,195.62	1,064,411.68
Advance to Water Fund	76,071.77		76,071.77
Capital Assets (net of accumulated depreciation):			
Land	40,000.00		40,000.00
Buildings and Infrastructure	1,027,927.00	1,082,446.00	2,110,373.00
Machinery and Vehicles	43,890.00	9,900.00	53,790.00
Total Capital Assets	1,111,817.00	1,092,346.00	2,204,163.00
Total Assets	1,905,104.83	1,439,541.62	3,344,646.45
<u>LIABILITIES:</u>			
Long-Term Liabilities:			
Due Within One Year:			
Revenue Bonds Payable	110,000.00	20,700.00	130,700.00
Due After One Year:			
Advance from Sales and Use Tax Fund		76,071.77	76,071.77
Revenue Bonds Payable	530,000.00	548,400.00	1,078,400.00
Total Liabilities	640,000.00	645,171.77	1,285,171.77
<u>NET POSITION:</u>			
Net Investment in Capital Assets	471,817.00	447,174.23	918,991.23
Restricted for:			
Debt Service		71,121.00	71,121.00
Special Purposes	792,777.56		792,777.56
Unrestricted	510.27	276,074.62	276,584.89
Total Net Position	1,265,104.83	794,369.85	2,059,474.68

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Activities - Modified Cash Basis
December 31, 2024

Functions/Programs	Net (Expense) Revenue and Change in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government					
<u>Governmental Activities:</u>					
General Government	172,072.52	2,430.00		(169,642.52)	(169,642.52)
Public Safety	87,547.89	615.00		(86,932.89)	(86,932.89)
Streets and Public Works	360,478.60	28,907.17	106,792.54	(224,778.89)	(224,778.89)
Health and Welfare	1,045.84			(1,045.84)	(1,045.84)
Culture and Recreation	656,756.87			(656,756.87)	(656,756.87)
Urban and Economic Development	148,429.26			(148,429.26)	(148,429.26)
Interst and Service Charges	34,855.00		6,643.39	(28,211.61)	(28,211.61)
Total Governmental Activities	1,461,185.98	31,952.17	113,435.93	(1,315,797.88)	(1,315,797.88)
<u>Business-Type Activities:</u>					
Water Operating	254,591.48	244,963.44			(9,628.04)
Sewer Operating	136,192.34	29,845.73			(106,346.61)
Garbage Operating	186,809.47	185,967.43			(842.04)
Total Business-Type Activities	577,593.29	460,776.60	-		(116,816.69)
Total Primary Government	2,038,779.27	492,728.77	113,435.93	(1,315,797.88)	(116,816.69)
					(1,432,614.57)
<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes				153,092.91	153,092.91
Sales taxes				515,931.92	84,000.00
Occupancy taxes				11,934.18	11,934.18
Telecommunications taxes				1,899.21	1,899.21
Cigarette taxes				1,064.05	1,064.05
Homestead tax credit				13,925.93	13,925.93
Disabled veteran's tax credit				2,437.60	2,437.60
Intergovernmental revenue not restricted to specific programs				65,919.89	65,919.89
Earnings on investments and other revenue				84,728.51	5,802.30
Transfers				9,500.00	(9,500.00)
Total General Revenues and Transfers				860,434.20	80,302.30
Change in Net Position				(455,363.68)	(36,514.39)
Net Position - January 1				1,265,104.83	794,369.85
Net Position - December 31				809,741.15	757,855.46

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Activities - Modified Cash Basis
December 31, 2023

	Net (Expense) Revenue and Change in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Primary Government						
<u>Governmental Activities:</u>						
General Government	176,221.93	3,963.00		(172,258.93)		(172,258.93)
Public Safety	96,880.15	636.95		(96,243.20)		(96,243.20)
Streets and Public Works	372,154.31	73,290.63	100,301.11	(198,562.57)		(198,562.57)
Health and Welfare	1,241.65			(1,241.65)		(1,241.65)
Urban and Economic Development	187,310.84			(187,310.84)		(187,310.84)
Interest and Service Charges	17,305.00		43,925.86	26,620.86		26,620.86
Total Governmental Activities	851,113.88	77,890.58	144,226.97	(628,996.33)		(628,996.33)
<u>Business-Type Activities:</u>						
Water Operating	321,095.89	248,476.44	104,511.23		31,891.78	31,891.78
Sewer Operating	199,660.54	48,295.17	50,418.00		(100,947.37)	(100,947.37)
Garbage Operating	164,140.89	164,182.33			41.44	41.44
Total Business-Type Activities	684,897.32	460,953.94	154,929.23		(69,014.15)	(69,014.15)
Total Primary Government	1,536,011.20	538,844.52	299,156.20	(628,996.33)	(69,014.15)	(698,010.48)
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes				146,017.14		146,017.14
Sales taxes				467,165.13	116,481.98	583,647.11
Occupancy taxes				12,493.84		12,493.84
Telecommunications taxes				1,899.21		1,899.21
Cigarette taxes				1,163.11		1,163.11
Homestead tax credit				7,809.32		7,809.32
Disabled veteran's tax credit				2,977.11		2,977.11
Intergovernmental revenue not restricted to specific programs				67,268.88		67,268.88
Earnings on investments and other revenue				60,280.55	5,550.53	65,831.08
Transfers				5,000.00	(5,000.00)	-
Total General Revenues and Transfers				772,074.29	117,032.51	889,106.80
Change in Net Position				143,077.96	48,018.36	191,096.32
Net Position - January 1, as Previously Presented				1,078,462.35	746,351.49	1,824,813.84
Prior Period Adjustment - Note 10				43,564.52		43,564.52
Net Position - January 1, as Restated				1,122,026.87	746,351.49	1,868,378.36
Net Position - December 31				1,265,104.83	794,369.85	2,059,474.68

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2024

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Street	Sales and Use Tax	Swimming Pool		
ASSETS:						
Cash, Cash Equivalents and Investments	28,440.83	297,728.86	184,352.28	889,402.51	43,638.37	1,443,562.85
Advance to Water Fund			68,472.30			68,472.30
Total Assets	28,440.83	297,728.86	252,824.58	889,402.51	43,638.37	1,512,035.15
FUND BALANCES:						
Nonspendable:						
Advance to Water Fund			68,472.30			68,472.30
Restricted for:						
Streets and Public Works		297,728.86				297,728.86
Urban and Economic Development			184,352.28		39,227.76	223,580.04
Culture and Recreation				889,402.51		889,402.51
Horizon Project	602.28					602.28
Safe Route	27,781.79					27,781.79
150th Celebration					4,410.61	4,410.61
Unassigned	56.76					56.76
Total Fund Balances	28,440.83	297,728.86	252,824.58	889,402.51	43,638.37	1,512,035.15

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2023

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Street	Sales and Use Tax	Swimming Pool		
ASSETS:						
Cash, Cash Equivalents and Investments	28,894.34	298,800.88	199,220.23	151,815.03	38,485.58	717,216.06
Advance to Water Fund			76,071.77			76,071.77
Total Assets	28,894.34	298,800.88	275,292.00	151,815.03	38,485.58	793,287.83
FUND BALANCES:						
Nonspendable:						
Advance to Water Fund			76,071.77			76,071.77
Restricted for:						
Streets and Public Works		298,800.88				298,800.88
Urban and Economic Development			199,220.23		35,346.73	234,566.96
Culture and Recreation				151,815.03		151,815.03
Horizon Project	602.28					602.28
Safe Route	27,781.79					27,781.79
150th Celebration					3,138.85	3,138.85
Unassigned	510.27					510.27
Total Fund Balances	28,894.34	298,800.88	275,292.00	151,815.03	38,485.58	793,287.83

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
December 31, 2024

Total Fund Balances for Governmental Funds	1,512,035.15
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Total net position reported for governmental activities in the statement of net position is different because:

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

Cost of Capital Assets	2,667,783.00	
Less Accumulated Depreciation	<u>(1,459,927.00)</u>	
Net Capital Assets		1,207,856.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2024 are:

Bank Loan Payable	(100,150.00)	
Revenue Bonds Payable	<u>(1,810,000.00)</u>	
Total Long-Term Liabilities		<u>(1,910,150.00)</u>

Total Net Position of Governmental Activities	<u><u>809,741.15</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
December 31, 2023

Total Fund Balances for Governmental Funds	793,287.83
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Total net position reported for governmental activities in the statement of net position is different because:

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

Cost of Capital Assets	2,502,998.00	
Less Accumulated Depreciation	<u>(1,391,181.00)</u>	
Net Capital Assets		1,111,817.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2023 are:

Revenue Bonds Payable		<u>(640,000.00)</u>
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Total Net Position of Governmental Activities	<u><u>1,265,104.83</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2024

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Street	Sales and Use Tax	Swimming Pool		
Revenues:						
Taxes	154,992.12	275,959.16	111,460.94	128,511.82	11,934.18	682,858.22
Special Assessments		6,643.39				6,643.39
Licenses, Permits and Fees	2,430.00					2,430.00
Intergovernmental	83,347.47	106,792.54				190,140.01
Charges for Services	24,880.44	4,026.73				28,907.17
Fines and Forfeitures	615.00					615.00
Miscellaneous	26,794.97	51,944.50	4,162.90	107.53	1,718.61	84,728.51
Total Revenues	293,060.00	445,366.32	115,623.84	128,619.35	13,652.79	996,322.30
Expenditures:						
Current:						
General Government	170,019.52					170,019.52
Public Safety	87,547.89					87,547.89
Streets and Public Works	44,400.26	251,223.34				295,623.60
Health and Welfare	1,045.84					1,045.84
Culture and Recreation				656,756.87		656,756.87
Urban and Economic Development			138,091.26		8,500.00	146,591.26
Capital Outlay		164,785.00				164,785.00
Debt Service:						
Principal		115,000.00				115,000.00
Interest and Service Charges		15,580.00				15,580.00
Total Expenditures	303,013.51	546,588.34	138,091.26	656,756.87	8,500.00	1,652,949.98
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,953.51)	(101,222.02)	(22,467.42)	(528,137.52)	5,152.79	(656,627.68)
Other Financing Sources (Uses):						
Transfers In	9,500.00					9,500.00
Proceeds from Bank Loan		100,150.00				100,150.00
Revenue Bonds Issued				1,285,000.00		1,285,000.00
Discount on Revenue Bonds				(19,275.00)		(19,275.00)
Total Other Financing Sources (Uses)	9,500.00	100,150.00	-	1,265,725.00	-	1,375,375.00
Net Changes in Fund Balances	(453.51)	(1,072.02)	(22,467.42)	737,587.48	5,152.79	718,747.32
Fund Balance - January 1	28,894.34	298,800.88	275,292.00	151,815.03	38,485.58	793,287.83
Fund Balance - December 31	28,440.83	297,728.86	252,824.58	889,402.51	43,638.37	1,512,035.15

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2023

	Major Funds				Other	Total
	General	Street	Sales and Use Tax	Swimming Pool	Governmental Funds	Governmental Funds
Revenues:						
Taxes	147,916.35	233,706.27	125,254.87	108,203.99	12,493.84	627,575.32
Special Assessments		43,925.86				43,925.86
Licenses, Permits and Fees	3,963.00					3,963.00
Intergovernmental	79,218.42	100,301.11				179,519.53
Charges for Services	69,193.70	4,096.93				73,290.63
Fines and Forfeitures	636.95					636.95
Miscellaneous	52,679.17	2,166.61	5,134.38	46.52	253.87	60,280.55
Total Revenues	353,607.59	384,196.78	130,389.25	108,250.51	12,747.71	989,191.84
Expenditures:						
Current:						
General Government	174,168.93					174,168.93
Public Safety	96,880.15					96,880.15
Streets and Public Works	88,407.19	216,365.12				304,772.31
Health and Welfare	1,241.65					1,241.65
Urban and Economic Development			174,791.16		10,681.68	185,472.84
Debt Service:						
Principal		110,000.00				110,000.00
Interest and Service Charges		17,305.00				17,305.00
Total Expenditures	360,697.92	343,670.12	174,791.16	-	10,681.68	889,840.88
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,090.33)	40,526.66	(44,401.91)	108,250.51	2,066.03	99,350.96
Other Financing Sources:						
Transfers In	5,000.00					5,000.00
Net Changes in Fund Balances	(2,090.33)	40,526.66	(44,401.91)	108,250.51	2,066.03	104,350.96
Fund Balance - January 1, as Previously Presented	30,984.67	258,274.22	319,693.91	-	36,419.55	645,372.35
Prior Period Adjustment - Note 10					43,564.52	43,564.52
Change in Financial Reporting Entity (Non-Major to Major Fund)				43,564.52	(43,564.52)	-
Fund Balance, January 1 - as Restated	30,984.67	258,274.22	319,693.91	43,564.52	36,419.55	688,936.87
Fund Balance - December 31	28,894.34	298,800.88	275,292.00	151,815.03	38,485.58	793,287.83

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2024

Net Change in Fund Balances - Total Governmental Funds	718,747.32
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	164,785.00	
Current Year Depreciation Expense	<u>(68,746.00)</u>	96,039.00

The proceeds of debt issuances are reported 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 the amount by which debt proceeds exceeded repayment of debt.

Debt Proceeds	(1,385,150.00)	
Repayment of Debt	<u>115,000.00</u>	<u>(1,270,150.00)</u>

Change in Net Position of Governmental Activities	<u>(455,363.68)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2023

Net Change in Fund Balances - Total Governmental Funds	104,350.96
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	-	
Current Year Depreciation Expense	<u>(71,273.00)</u>	(71,273.00)

The proceeds of debt issuances are reported 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 the amount by which repayment of debt exceeded debt proceeds.

Debt Proceeds	-	
Repayment of Debt	<u>110,000.00</u>	<u>110,000.00</u>

Change in Net Position of Governmental Activities	<u><u>143,077.96</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2024

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	283,674.22	40,477.24	14,246.30	338,397.76
Noncurrent Assets:				
Capital Assets (net of accumulated depreciation):				
depreciation):				
Buildings and Infrastructure	915,625.00	113,505.00		1,029,130.00
Machinery and Vehicles		6,600.00		6,600.00
Total Noncurrent Assets	915,625.00	120,105.00		1,035,730.00
Total Assets	1,199,299.22	160,582.24	14,246.30	1,374,127.76
LIABILITIES				
Current Liabilities:				
Revenue Bonds Payable	22,000.00			22,000.00
Noncurrent Liabilities:				
Advance from Sales and Use Tax Fund	68,472.30			68,472.30
Revenue Bonds Payable	525,800.00			525,800.00
Total Noncurrent Liabilities	594,272.30	-	-	594,272.30
Total Liabilities	616,272.30	-	-	616,272.30
NET POSITION				
Net Investment in Capital Assets	299,352.70	120,105.00		419,457.70
Restricted for Debt Service	74,805.00			74,805.00
Unrestricted	208,869.22	40,477.24	14,246.30	263,592.76
Total Net Position	583,026.92	160,582.24	14,246.30	757,855.46

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2023

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	269,261.43	62,845.85	15,088.34	347,195.62
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depreciation):				
depreciation):				
Buildings and Infrastructure	963,633.00	118,813.00		1,082,446.00
Machinery and Vehicles		9,900.00		9,900.00
Total Noncurrent Assets	963,633.00	128,713.00		1,092,346.00
Total Assets	1,232,894.43	191,558.85	15,088.34	1,439,541.62
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Revenue Bonds Payable	20,700.00			20,700.00
<u>Noncurrent Liabilities:</u>				
Advance from Sales and Use Tax Fund	76,071.77			76,071.77
Revenue Bonds Payable	548,400.00			548,400.00
Total Noncurrent Liabilities	624,471.77	-	-	624,471.77
Total Liabilities	645,171.77	-	-	645,171.77
<u>NET POSITION</u>				
Net Investment in Capital Assets	318,461.23	128,713.00		447,174.23
Restricted for Debt Service	71,121.00			71,121.00
Unrestricted	198,140.43	62,845.85	15,088.34	276,074.62
Total Net Position	587,722.66	191,558.85	15,088.34	794,369.85

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2024

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Collections	244,963.44			244,963.44
Sewer Collections		25,845.73		25,845.73
Garbage Collections			179,276.04	179,276.04
Garbage Surcharge			2,528.26	2,528.26
Other Collections		4,000.00	4,163.13	8,163.13
Total Operating Revenues	244,963.44	29,845.73	185,967.43	460,776.60
<u>Operating Expenses:</u>				
Water Department	186,750.12			186,750.12
Sewer Department		127,584.34		127,584.34
Garbage Department			186,809.47	186,809.47
Depreciation	48,008.00	8,608.00		56,616.00
Total Operating Expenses	234,758.12	136,192.34	186,809.47	557,759.93
Operating Income (Loss)	10,205.32	(106,346.61)	(842.04)	(96,983.33)
<u>Non-Operating Revenues (Expenses):</u>				
Sales Taxes		84,000.00		84,000.00
Special Assessments	4,912.24			4,912.24
Interest	20.06			20.06
Miscellaneous Receipts		870.00		870.00
Debt Service - Interest and Service Charges	(19,833.36)			(19,833.36)
Total Non-Operating Revenues (Expenses)	(14,901.06)	84,870.00	-	69,968.94
Income (Loss) Before Transfers	(4,695.74)	(21,476.61)	(842.04)	(27,014.39)
Transfers In	9,684.00			9,684.00
Transfers Out	(9,684.00)	(9,500.00)		(19,184.00)
Total Transfers	-	(9,500.00)	-	(9,500.00)
Change in Net Position	(4,695.74)	(30,976.61)	(842.04)	(36,514.39)
Net Position - January 1	587,722.66	191,558.85	15,088.34	794,369.85
Net Position - December 31	583,026.92	160,582.24	14,246.30	757,855.46

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2023

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Collections	248,476.44			248,476.44
Sewer Collections		23,295.17		23,295.17
Garbage Collections			157,599.30	157,599.30
Garbage Surcharge			2,507.68	2,507.68
Other Collections		25,000.00	4,075.35	29,075.35
Total Operating Revenues	248,476.44	48,295.17	164,182.33	460,953.94
<u>Operating Expenses:</u>				
Water Department	252,368.53			252,368.53
Sewer Department		191,052.54		191,052.54
Garbage Department			164,140.89	164,140.89
Depreciation	48,008.00	8,608.00		56,616.00
Total Operating Expenses	300,376.53	199,660.54	164,140.89	664,177.96
Operating Income (Loss)	(51,900.09)	(151,365.37)	41.44	(203,224.02)
<u>Non-Operating Revenues (Expenses):</u>				
Sales Taxes		116,481.98		116,481.98
Special Assessments	4,367.55			4,367.55
CDBG Grant		50,418.00		50,418.00
Infrastructure Grant	104,511.23			104,511.23
Interest	18.12			18.12
Miscellaneous Receipts	1,144.86	20.00		1,164.86
Debt Service - Interest and Service Charges	(20,719.36)			(20,719.36)
Total Non-Operating Revenues (Expenses)	89,322.40	166,919.98	-	256,242.38
Income (Loss) Before Transfers	37,422.31	15,554.61	41.44	53,018.36
Transfers In	9,684.00			9,684.00
Transfers Out	(9,684.00)	(5,000.00)		(14,684.00)
Total Transfers	-	(5,000.00)	-	(5,000.00)
Change in Net Position	37,422.31	10,554.61	41.44	48,018.36
Net Position - January 1	550,300.35	181,004.24	15,046.90	746,351.49
Net Position - December 31	587,722.66	191,558.85	15,088.34	794,369.85

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2024

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	244,963.44	29,845.73	185,967.43	460,776.60
Payments to employees	(37,733.36)			(37,733.36)
Payments to suppliers	(149,016.76)	(127,584.34)	(186,809.47)	(463,410.57)
Net cash provided (used) by operating activities	58,213.32	(97,738.61)	(842.04)	(40,367.33)
<u>Cash flows from noncapital financing activities:</u>				
Sales Taxes		84,000.00		84,000.00
Special Assessments	4,912.24			4,912.24
Miscellaneous Receipts		870.00		870.00
Transfers in	9,684.00			9,684.00
Transfers out	(9,684.00)	(9,500.00)		(19,184.00)
Net cash provided (used) by noncapital financing activities	4,912.24	75,370.00	-	80,282.24
<u>Cash flows from capital and related financing activities:</u>				
Principal payments	(28,899.47)			(28,899.47)
Interest and service charges	(19,833.36)			(19,833.36)
Net cash provided (used) by capital and related financing activities	(48,732.83)		-	(48,732.83)
<u>Cash flows from investing activities:</u>				
Interest income	20.06			20.06
Net increase (decrease) in cash and cash equivalents	14,412.79	(22,368.61)	(842.04)	(8,797.86)
Cash and cash equivalents, January 1	269,261.43	62,845.85	15,088.34	347,195.62
Cash and cash equivalents, December 31	283,674.22	40,477.24	14,246.30	338,397.76
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating income (Loss)	10,205.32	(106,346.61)	(842.04)	(96,983.33)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	48,008.00	8,608.00		56,616.00
Net cash provided (used) by operating activities	58,213.32	(97,738.61)	(842.04)	(40,367.33)

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2023

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	248,476.44	48,295.17	164,182.33	460,953.94
Payments to employees	(57,840.75)			(57,840.75)
Payments to suppliers	(194,527.78)	(191,052.54)	(164,140.89)	(549,721.21)
Net cash provided (used) by operating activities	(3,892.09)	(142,757.37)	41.44	(146,608.02)
<u>Cash flows from noncapital financing activities:</u>				
Sales Taxes		116,481.98		116,481.98
Special Assessments	4,367.55			4,367.55
CDBG Grant		50,418.00		50,418.00
Infrastructure Grant	104,511.23			104,511.23
Miscellaneous Receipts	1,144.86	20.00		1,164.86
Transfers in	9,684.00			9,684.00
Transfers out	(9,684.00)	(5,000.00)		(14,684.00)
Net cash provided (used) by noncapital financing activities	110,023.64	161,919.98	-	271,943.62
<u>Cash flows from capital and related financing activities:</u>				
Principal payments	(26,962.13)			(26,962.13)
Interest and service charges	(20,719.36)			(20,719.36)
Net cash provided (used) by capital and related financing activities	(47,681.49)		-	(47,681.49)
<u>Cash flows from investing activities:</u>				
Interest income	18.12			18.12
Net increase (decrease) in cash and cash equivalents	58,468.18	19,162.61	41.44	77,672.23
Cash and cash equivalents, January 1	210,793.25	43,683.24	15,046.90	269,523.39
Cash and cash equivalents, December 31	269,261.43	62,845.85	15,088.34	347,195.62
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating income (Loss)	(51,900.09)	(151,365.37)	41.44	(203,224.02)
 <u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	48,008.00	8,608.00		56,616.00
Net cash provided (used) by operating activities	(3,892.09)	(142,757.37)	41.44	(146,608.02)

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2024

	Custodial Fund
<u>Assets:</u>	
Cash, Cash Equivalents and Investments	<u>20.19</u>
<u>Net Position:</u>	
Restricted For:	
Organizations	<u>20.19</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2023

	Custodial Fund
<u>Assets:</u>	
Cash, Cash Equivalents and Investments	<u>20.19</u>
<u>Net Position:</u>	
Restricted For:	
Organizations	<u>20.19</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Changes in Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
For the Year Ended December 31, 2024

	<u>Custodial Fund</u>
Net Position - January 1	<u>20.19</u>
Net Position - December 31	<u><u>20.19</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Statement of Changes in Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
For the Year Ended December 31, 2023

	<u>Custodial Funds</u>
<u>Additions:</u>	
Interest	<u>0.17</u>
Change in Net Position	<u>0.17</u>
Net Position - January 1, as Previously Presented	43,584.54
Prior Period Adjustment - Note 10	<u>(43,564.52)</u>
Net Position - January 1, as Restated	<u>20.02</u>
Net Position - December 31	<u><u>20.19</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF STEELE
Steele, North Dakota

Notes to the Financial Statements
December 31, 2024 and 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Steele operates under a city council form of government. The financial statements of the city have been prepared on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the City of Steele as a reporting entity.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of Steele. 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. These statements distinguish between the *governmental and business-type* activities of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the city'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, are presented as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The city reports the following major governmental funds:

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

Street. This fund accounts for a special levy, the state highway distribution tax and other state grants to be used for street repairs and maintenance.

Sales and Use Tax. This fund accounts for the city's sales tax collections. The city has determined that sales tax collections are to be used for infrastructure and/or equipment, urban and economic development.

Swimming Pool. This fund accounts for sales tax collections and proceeds from the Sales Tax Revenue Bonds, Series 2024 to be used for the construction of a new swimming pool and the repayment of principal and interest on these revenue bonds.

The city reports the following major enterprise funds:

Water. This fund accounts for the activities of the city's water distribution system and to accumulate resources to pay the principal and interest of the Water Revenue Bonds of 2003.

Sewer. This fund accounts for the activities of the city's sewage collection system.

Garbage. This fund accounts for the activities of the city's garbage collection system.

Additionally, the city reports the following type of fiduciary fund:

Custodial Fund. This fund accounts for the assets held by the city in a custodial capacity as an agency on behalf of others. The city's custodial fund is used to account for the community development block grant received on behalf of the Steele Housing Project.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type, and fiduciary fund activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the city utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of three months or less.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	5 to 20 years

F. 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. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

G. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city council through the adoption of a resolution. The city council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the city council or by an official to which the city council delegates authority.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the city's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the city's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the city has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

H. Interfund Transactions

In the governmental and proprietary 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.

I. Use of Estimates

The preparation of financial statements in conformity with the special purpose framework (SPF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions 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 any 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 other securities approved by the banking board.

At December 31, 2024 the city's carrying amount of deposits was \$1,781,981 and the bank balance was \$1,813,563. Of the bank balance, \$517,977 was covered by Federal Depository Insurance and the National Credit Union Association. The remaining balance of \$1,295,586 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2023 the city's carrying amount of deposits was \$1,064,432 and the bank balance was \$1,094,590. Of the bank balance, \$517,538 was covered by Federal Depository Insurance and the National Credit Union Association. The remaining balance of \$577,052 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- (1) 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.

- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At December 31, 2024, the city held certificates of deposit in the amount of \$17,977, which are all considered deposits.

At December 31, 2023, the city held certificates of deposit in the amount of \$17,538, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on the property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and 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 on property taxes 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 discount on the property taxes.

Note 4 ADVANCE TO WATER FUND/FROM SALES AND USE TAX FUND

Advance to water fund consists of money loaned from the sales and use tax fund to the water fund for the purpose of paying off two USDA loans. Funds will be repaid with a minimum annual payment of \$8,000 including interest at 3%.

Note 5 CAPITAL ASSETS

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

December 31, 2024

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	<u>40,000</u>	<u> </u>	<u> </u>	<u>40,000</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	<u>2,132,632</u>			<u>2,132,632</u>
Machinery and Vehicles	<u>330,366</u>	<u>164,785</u>	<u> </u>	<u>495,151</u>
Total	<u>2,462,998</u>	<u>164,785</u>	<u>-</u>	<u>2,627,783</u>

Less accumulated depreciation for:

Buildings and Infrastructure	1,104,705	40,038		1,144,743
Machinery and Vehicles	286,476	28,708	-	315,184
Total	1,391,181	68,746	-	1,459,927
Total capital assets being depreciated, net	1,071,817	96,039	-	1,167,856
Governmental Activities Capital Assets, Net	1,111,817	96,039	-	1,207,856

December 31, 2023

	Balance January 1	Increases	Decreases	Balance December 31
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Governmental Activities:

Capital assets not being depreciated:

Land	40,000			40,000
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Capital assets being depreciated:

Buildings and Infrastructure	2,132,632			2,132,632
Machinery and Vehicles	330,366			330,366
Total	2,462,998	-	-	2,462,998

Less accumulated depreciation for:

Buildings and Infrastructure	1,051,267	53,438		1,104,705
Machinery and Vehicles	268,641	17,835		286,476
Total	1,319,908	71,273	-	1,391,181
Total capital assets being depreciated, net	1,143,090	(71,273)	-	1,071,817
Governmental Activities Capital Assets, Net	1,183,090	(71,273)	-	1,111,817

December 31, 2024

	Balance January 1	Increases	Decreases	Balance December 31
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Business-type Activities:

Capital assets being depreciated:

Buildings and Infrastructure	2,108,124			2,108,124
Machinery and Vehicles	33,000			33,000
Total	2,141,124	-	-	2,141,124

Less accumulated depreciation for:

Buildings and Infrastructure	1,025,678	53,316		1,078,994
Machinery and Vehicles	23,100	3,300	-	26,400
Total	1,048,778	56,616	-	1,105,394
Business-Type Activities Capital Assets, Net	1,092,346	(56,616)	-	1,035,730

December 31, 2023

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,108,124			2,108,124
Machinery and Vehicles	33,000			33,000
Total	<u>2,141,124</u>	<u>-</u>	<u>-</u>	<u>2,141,124</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	972,362	53,316		1,025,678
Machinery and Vehicles	19,800	3,300		23,100
Total	<u>992,162</u>	<u>56,616</u>	<u>-</u>	<u>1,048,778</u>
Business-Type Activities				
Capital Assets, Net	<u>1,148,962</u>	<u>(56,616)</u>	<u>-</u>	<u>1,092,346</u>

Depreciation expense was charged to functions/programs of the city as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Governmental Activities:		
General Government	2,053	2,053
Streets and Public Works	64,855	67,382
Urban and Economic Development	<u>1,838</u>	<u>1,838</u>
Total Depreciation Expense	<u>68,746</u>	<u>71,273</u>
Business-type Activities:		
Combined Water	48,008	48,008
Sewer Operating	<u>8,608</u>	<u>8,608</u>
Total Depreciation Expense	<u>56,616</u>	<u>56,616</u>

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2024 and 2023, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	<u>2024</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Bank Loan Payable		100,150		100,150	30,982
Revenue Bonds Payable	640,000	1,285,000	110,000	1,810,000	180,000
Total	<u>640,000</u>	<u>1,385,150</u>	<u>110,000</u>	<u>1,910,150</u>	<u>210,982</u>
	<u>2023</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Revenue Bonds Payable	<u>750,000</u>		<u>110,000</u>	<u>640,000</u>	<u>110,000</u>

Business-type Activities:

	<u>2024</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Revenue Bonds Payable	<u>569,100</u>		<u>21,300</u>	<u>547,800</u>	<u>22,000</u>
	<u>2023</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Revenue Bonds Payable	<u>589,800</u>		<u>20,700</u>	<u>569,100</u>	<u>20,700</u>

Outstanding debt at December 31, 2024 consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2024 is as follows:

Bank Loan Payable. The city has taken out a loan to provide funds for the purchase of a Develon Payloader. Bank loan payable outstanding at December 31, 2024 is as follows:

\$100,150.00 loan payable with Choice Financial Group dated October 10, 2024.
Payments of \$38,576.83 are due annually through October 9, 2027. Payments include interest at 7.5%.

100,150.00

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2025	30,982.12	7,594.71
2026	33,317.19	5,259.64
2027	35,850.69	2,726.15
Total	<u>100,150.00</u>	<u>15,580.50</u>

The annual requirements to amortize the outstanding bank loan payable are as follows:

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2024 are as follows:

\$375,00 Sales Tax Revenue Bonds, Series 2015 due in an annual installment \$40,000 on November 1, 2025. Payments include interest of 2.5%.	40,000.00
\$855,000 Sales Tax Revenue Bonds, Series 2019 due in annual installments of \$75,000 to \$85,000 through May 1, 2030. Payments include interest at 1.80% to 2.25%.	485,000.00
\$1,285,000 Sales Tax Revenue Bonds, Series 2024 due in annual installments of \$65,000 to \$120,000 through June 1, 2039. Payments include interest at 3.85% to 4.5%.	<u>1,285,000.00</u>
Total Revenue Bonds Payable	<u>1,810,000.00</u>

The annual requirements to amortize the outstanding revenue bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2025	180,000.00	62,244.18
2026	145,000.00	59,438.76
2027	150,000.00	55,283.76
2028	150,000.00	50,718.76
2029	160,000.00	46,062.51
2030-2034	500,000.00	169,806.29
2035-2039	525,000.00	72,993.76
Total	<u>1,810,000.00</u>	<u>516,548.02</u>

Business-type Activities:

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2024, are as follows:

\$875,000 Water Improvement Bonds of 2003, Series A due in annual installments of \$22,000 to \$36,300 through July 11, 2043. Payments include interest at 3%.

547,800.00

The annual requirements to amortize the outstanding revenue bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2025	22,000.00	16,434.00
2026	22,600.00	15,774.00
2027	23,300.00	15,096.00
2028	24,000.00	14,397.00
2029	24,700.00	13,677.00
2030-2034	135,200.00	56,808.00
2035-2039	156,600.00	35,280.00
2040-2043	139,400.00	10,449.00
Total	<u>547,800.00</u>	<u>177,915.00</u>

Note 7 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2024</u>		
Water Filter	6,000.00	
Water Reserve	3,684.00	
Water Operating		9,684.00
To set aside funds for reserves.		
General Operating	9,500.00	
Sewer		9,500.00
To subsidize expenditures.		

December 31, 2023

General Operating	5,000.00	
Sewer		5,000.00
To subsidize expenditures.		
Water Filter	6,000.00	
Water Reserve	3,684.00	
Water Operating		9,684.00
To set aside funds for reserves.		

Note 8 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$395,464 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city 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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$697,351 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The city has worker's compensation with the Department of Workforce Safety and Insurance; and 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 fiscal years.

Note 9 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the years ended December 31, 2024 or 2023.

Note 10 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to properly reclassify the Swimming Pool Fund as a Special Revenue Fund:

	Governmental Activities
Net Position as previously reported	1,078,462.35
Adjustment to restate the January 1, 2023 balance:	
Cash, Cash Equivalents and Investments	43,564.52
Net Position, January 1, 2023 as restated	<u>1,122,026.87</u>

	Governmental Activities
Fund Balance as previously reported:	<u>645,372.35</u>
Adjustment to restate the January 1, 2023 balance:	
Cash, Cash Equivalents and Investments	<u>43,564.52</u>
Fund Balance, January 1, 2023 as restated	<u><u>688,936.87</u></u>
	Fiduciary Fund
Net Position as previously reported:	<u>43,584.54</u>
Adjustment to restate the January 1, 2023 balance:	
Cash and Investments	<u>(43,564.52)</u>
Net Position, January 1, 2023 as restated	<u><u>20.02</u></u>

CITY OF STEELE
Steele, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	168,975.00	154,992.12	(13,982.88)
Licenses, Permits and Fees	2,830.00	2,430.00	(400.00)
Intergovernmental	66,650.00	83,347.47	16,697.47
Charges for Services	60,000.00	24,880.44	(35,119.56)
Fines and Forfeitures	800.00	615.00	(185.00)
Miscellaneous	18,400.00	26,794.97	8,394.97
Total Revenues	317,655.00	293,060.00	(24,595.00)
<u>Expenditures:</u>			
Current:			
General Government	216,505.00	170,019.52	46,485.48
Public Safety	80,000.00	87,547.89	(7,547.89)
Streets and Public Works	19,500.00	44,400.26	(24,900.26)
Health and Welfare	1,150.00	1,045.84	104.16
Total Expenditures	317,155.00	303,013.51	14,141.49
Excess (Deficiency) of Revenue Over (Under) Expenditures	500.00	(9,953.51)	(10,453.51)
<u>Other Financing Sources:</u>			
Transfers In		9,500.00	(9,500.00)
Net Change in Fund Balances	500.00	(453.51)	(953.51)
Fund Balance - January 1	28,894.34	28,894.34	
Fund Balance - December 31	29,394.34	28,440.83	(953.51)

CITY OF STEELE
Steele, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	164,974.00	147,916.35	(17,057.65)
Licenses, Permits and Fees	2,830.00	3,963.00	1,133.00
Intergovernmental	63,900.00	79,218.42	15,318.42
Charges for Services	40,000.00	69,193.70	29,193.70
Fines and Forfeitures	800.00	636.95	(163.05)
Miscellaneous	10,900.00	52,679.17	41,779.17
Total Revenues	283,404.00	353,607.59	70,203.59
<u>Expenditures:</u>			
Current:			
General Government	189,525.00	174,168.93	15,356.07
Public Safety	74,000.00	96,880.15	(22,880.15)
Streets and Public Works	19,500.00	88,407.19	(68,907.19)
Health and Welfare	1,150.00	1,241.65	(91.65)
Total Expenditures	284,175.00	360,697.92	(76,522.92)
Excess (Deficiency) of Revenue Over (Under) Expenditures	(771.00)	(7,090.33)	(6,319.33)
<u>Other Financing Sources:</u>			
Transfers In		5,000.00	(5,000.00)
Net Change in Fund Balances	(771.00)	(2,090.33)	(1,319.33)
Fund Balance - January 1	30,984.67	30,984.67	
Fund Balance - December 31	30,213.67	28,894.34	(1,319.33)

CITY OF STEELE
Steele, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Street Fund
For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	200,000.00	275,959.16	75,959.16
Special Assessments		6,643.39	6,643.39
Intergovernmental	75,000.00	106,792.54	31,792.54
Charges for Services	50,000.00	4,026.73	(45,973.27)
Miscellaneous		51,944.50	51,944.50
Total Revenues	325,000.00	445,366.32	120,366.32
<u>Expenditures:</u>			
Current:			
Streets and Public Works	225,000.00	251,223.34	(26,223.34)
Capital Outlay		164,785.00	(164,785.00)
Debt Service:			
Principal	115,000.00	115,000.00	-
Interest and Service Charges	20,000.00	15,580.00	4,420.00
Total Expenditures	360,000.00	546,588.34	(186,588.34)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,000.00)	(101,222.02)	(66,222.02)
<u>Other Financing Sources:</u>			
Proceeds from Bank Loan		100,150.00	100,150.00
Net Change in Fund Balances	(35,000.00)	(1,072.02)	33,927.98
Fund Balance - January 1	298,800.88	298,800.88	
Fund Balance - December 31	263,800.88	297,728.86	33,927.98

CITY OF STEELE
Steele, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Street Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	251,966.25	233,706.27	(18,259.98)
Special Assessments		43,925.86	43,925.86
Intergovernmental	68,206.31	100,301.11	32,094.80
Charges for Services		4,096.93	4,096.93
Miscellaneous	115,668.49	2,166.61	(113,501.88)
Total Revenues	435,841.05	384,196.78	(51,644.27)
<u>Expenditures:</u>			
Current:			
Streets and Public Works	225,000.00	216,365.12	8,634.88
Debt Service:			
Principal	110,000.00	110,000.00	-
Interest and Service Charges	30,000.00	17,305.00	12,695.00
Total Expenditures	365,000.00	343,670.12	21,329.88
Net Change in Fund Balances	70,841.05	40,526.66	(30,314.39)
Fund Balance - January 1	258,274.22	258,274.22	
Fund Balance - December 31	329,115.27	298,800.88	(30,314.39)

CITY OF STEELE
Steele, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2024 and 2023

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the city auditor prepares the preliminary budget. The city budget is prepared for the general and special revenue funds by function and activity on the cash basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year end.

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7, the board adopts the final budget. The final budget must be filed with the county auditor by October 10. No expenditure shall be made, or liability incurred, in excess of the total appropriation by fund except as authorized by North Dakota Century Code Section 40-40-18. However, the governing board may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the official proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budgets during the years ended December 31, 2024 and 2023.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ended December 31, 2024 and 2023:

	2024	2023
General Fund	-	(76,522.92)
<u>Special Revenue Funds</u>		
Street	(186,588.34)	-

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

- Note 3 A formal budget was not prepared for the Sales and Use Tax or Swimming Pool Funds for the years ending December 31, 2024 and 2023, and therefore budgetary comparison schedules are not presented for these major governmental funds.

CITY OF STEELE
Steele, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2024

	Balance 1-1-2024	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2024
Major Governmental Funds:						
General Fund						
General Operating	510.27	293,060.00	9,500.00		303,013.51	56.76
Horizon	602.28					602.28
Safe Route	27,781.79					27,781.79
Total General Fund	28,894.34	293,060.00	9,500.00	-	303,013.51	28,440.83
Street	298,800.88	545,366.32			546,438.34	297,728.86
Swimming Pool	151,815.03	1,413,619.35			676,031.87	889,402.51
Sales and Use Tax	199,220.23	123,223.31			138,091.26	184,352.28
Total Major Governmental Funds	678,730.48	2,375,268.98	9,500.00	-	1,663,574.98	1,399,924.48
Non-major Governmental Funds:						
Visitor Promotion	35,346.73	12,381.03			8,500.00	39,227.76
150th Celebration	3,138.85	1,271.76				4,410.61
Total Non-major Governmental Funds	38,485.58	13,652.79	-	-	8,500.00	43,638.37
Total Governmental Funds	717,216.06	2,388,921.77	9,500.00	-	1,672,074.98	1,443,562.85
Major Enterprise Funds:						
Water Fund						
Water Operating	128,340.43	249,895.74		9,684.00	235,482.95	133,069.22
Water Filter	69,800.00		6,000.00			75,800.00
Water Reserve	71,121.00		3,684.00			74,805.00
Total Water Fund	269,261.43	249,895.74	9,684.00	9,684.00	235,482.95	283,674.22
Sewer	62,845.85	114,715.73		9,500.00	127,584.34	40,477.24
Garbage	15,088.34	185,967.43			186,809.47	14,246.30
Total Major Enterprise Funds	347,195.62	550,578.90	9,684.00	19,184.00	549,876.76	338,397.76
Fiduciary Funds:						
Custodial Funds						
CDBG	20.19					20.19
Total All Funds	1,064,431.87	2,939,500.67	19,184.00	19,184.00	2,221,951.74	1,781,980.80

CITY OF STEELE
Steele, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2023

	Balance 1-1-2023	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2023
Major Governmental Funds:						
General Fund						
General Operating	2,600.60	353,607.59	5,000.00		360,697.92	510.27
Horizon	602.28					602.28
Safe Route	27,781.79					27,781.79
Total General Fund	30,984.67	353,607.59	5,000.00	-	360,697.92	28,894.34
Street	258,274.22	384,196.78			343,670.12	298,800.88
Swimming Pool	43,564.52	108,250.51				151,815.03
Sales and Use Tax	237,360.01	136,651.38			174,791.16	199,220.23
Total Major Governmental Funds	570,183.42	982,706.26	5,000.00	-	879,159.20	678,730.48
Non-major Governmental Funds:						
Visitor Promotion	33,286.33	12,742.08			10,681.68	35,346.73
150th Celebration	3,133.22	5.63				3,138.85
Total Non-major Governmental Funds	36,419.55	12,747.71	-	-	10,681.68	38,485.58
Total Governmental Funds	606,602.97	995,453.97	5,000.00	-	889,840.88	717,216.06
Major Enterprise Funds:						
Water Fund						
Water Operating	79,556.25	358,518.20		9,684.00	300,050.02	128,340.43
Water Filter	63,800.00		6,000.00			69,800.00
Water Reserve	67,437.00		3,684.00			71,121.00
Total Water Fund	210,793.25	358,518.20	9,684.00	9,684.00	300,050.02	269,261.43
Sewer	43,683.24	215,215.15		5,000.00	191,052.54	62,845.85
Garbage	15,046.90	164,182.33			164,140.89	15,088.34
Total Major Enterprise Funds	269,523.39	737,915.68	9,684.00	14,684.00	655,243.45	347,195.62
Fiduciary Funds:						
Custodial Funds						
CDBG	20.02	0.17				20.19
Total All Funds	876,146.38	1,733,369.82	14,684.00	14,684.00	1,545,084.33	1,064,431.87

Rath & Mehrer, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Steele
Steele, 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 business-type activities, each major fund and the aggregate remaining fund information of the City of Steele, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated August 22, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the city's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the city's response to the findings identified in our audits and described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audits 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 city's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 22, 2025

CITY OF STEELE
Steele, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2024 and 2023

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None Reported
- Noncompliance material to financial Statements noted? ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2024-001 – Segregation of Duties

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

Condition: The city has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Cause: The city does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The city is aware of the condition and segregates duties whenever possible.

2. 2024-002- Financial Statement Preparation

Criteria: A good system of internal controls requires the city to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The city's financial statements, including the accompanying note disclosures, are prepared by the city's external auditors.

Cause: The city feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to external distribution.

Views of Responsible Officials: The city will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.