



Steele County

Finley, North Dakota

Audit Report

For the Year Ended December 31, 2016

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

STEELE COUNTY
Finley, North Dakota

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For the Year Ended December 31, 2016

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STEELE COUNTY
Finley, North Dakota

COUNTY OFFICIALS
December 31, 2016

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



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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Steele County
Finley, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County, Finley, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County, Finley, North Dakota, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

STEELE COUNTY

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and notes to the required supplementary information* on pages 30-37 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* is presented for purposes of additional analysis and are not a required part of the financial statements.

The *schedule of fund activity* 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. 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* is 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 September 28, 2017 on our consideration of Steele County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Steele County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
September 28, 2017

STEELE COUNTY
Finley, North Dakota

STATEMENT OF NET POSITION
December 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Job Development Authority
<u>ASSETS</u>			
Cash, cash equivalents and investments	\$ 8,023,798	\$ 810,126	\$ 344,453
Intergovernmental receivable	143,169	1,002	1,002
Road accounts receivable	5,931	-	-
Taxes receivable	36,265	1,468	1,206
Intangible Assets (not being depreciated):			
Land Easements	-	105,700	-
Capital Assets (not being depreciated):			
Land	5,425	71,923	-
Construction in Progress	67,277	1,039,261	-
Capital Assets (net of accumulated depreciation):			
Office Equipment	7,624	-	-
Vehicles	67,906	-	-
Machinery & Equipment	277,041	-	-
Buildings	509,151	-	-
Infrastructure	5,711,531	771,329	-
Total Capital Assets	\$ 6,645,955	\$ 1,882,513	\$ -
Total Assets	\$ 14,855,118	\$ 2,800,809	\$ 346,661
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension	\$ 353,258	\$ 14,534	\$ 13,428
Total Assets and Deferred Outflows of Resources	\$ 15,208,376	\$ 2,815,343	\$ 360,089
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts payable	\$ 36,458	\$ 61,578	\$ 17,438
Salaries and benefits payable	6,684	55	-
Grants received in advance	151,416	-	-
Retainage payable	-	40,016	-
Interest payable	13,431	7,344	-
<u>Non-Current Liabilities:</u>			
Due Within One Year:			
Loans payable	-	418,784	-
Leases payable	2,542	-	-
Bonds payable	125,000	61,000	-
Compensated absences payable	3,279	42	114
Due After One Year:			
Loans payable	-	470,126	-
Leases payable	5,083	-	-
Bonds payable	2,400,000	251,000	-
Compensated absences payable	29,515	378	1,031
Net Pension Liability	860,504	35,403	32,708
Total Liabilities	\$ 3,633,912	\$ 1,345,726	\$ 51,291
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension	\$ 50,718	\$ 2,087	\$ 1,928
Taxes received in advance	558,820	-	-
Total Deferred Inflows of Resources	\$ 609,538	\$ 2,087	\$ 1,928
Total Liabilities and Deferred Inflows of Resources	\$ 4,243,450	\$ 1,347,813	\$ 53,219
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 4,113,330	\$ 681,603	\$ -
Restricted for:			
Debt service	28,656	-	-
Highways and bridges	3,128,552	-	-
Health and welfare	143,760	-	-
Conservation of natural resources	255,821	785,927	-
Emergencies	392,420	-	-
General Government	612,313	-	-
Economic development	-	-	306,870
Unrestricted	2,290,074	-	-
Total Net Position	\$ 10,964,926	\$ 1,467,530	\$ 306,870

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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Job Development Authority
Primary Government:							
General government	\$ 1,191,704	\$ 177,727	\$ -	\$ -	\$ (1,013,977)		
Public safety	308,936	73,447	33,291	-	(202,198)		
Highways and bridges	1,276,005	121,256	286,045	-	(868,704)		
Flood repairs	43,462	-	-	-	(43,462)		
Health and welfare	403,268	36,324	55,625	-	(311,319)		
Conserv. of natural resources	73,990	-	37,465	-	(36,525)		
Culture and recreation	65,297	-	-	-	(65,297)		
Interest	82,227	-	-	-	(82,227)		
Total Governmental Activities	\$ 3,444,889	\$ 408,754	\$ 412,426	\$ -	\$ (2,623,709)		
Component Units:							
Water resource district	\$ 185,347	\$ -	\$ 38,695	\$ 401,336		\$ 254,684	\$ -
Job development authority	170,248	-	-	-		-	(170,248)
Total Component Units	\$ 355,595	\$ -	\$ 38,695	\$ 401,336		\$ 254,684	\$ (170,248)
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					\$ 804,784	\$ 268,581	\$ 74,900
Property taxes; levied for special purposes					1,040,351	-	-
Property taxes; levied for debt service					205,388	-	-
Sales taxes					185,658	-	-
Grants and contributions not restricted to specific programs					276,434	5,484	-
Unrestricted investment earnings					18,598	705	1,444
Miscellaneous revenue					153,184	504	45,419
Unrealized gain (loss) on investments					-	-	(378)
Total General Revenues					\$ 2,684,397	\$ 275,274	\$ 121,385
Change in Net Position					\$ 60,688	\$ 529,958	\$ (48,863)
Net Position - January 1					\$ 10,904,238	\$ 937,572	\$ 355,733
Net Position - December 31					\$ 10,964,926	\$ 1,467,530	\$ 306,870

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

STEELE COUNTY
Finley, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	General	Farm to Market Road	County Road & Bridge	FEMA	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 2,442,632	\$ 1,257,050	\$ 878,588	\$ 151,416	\$ 3,294,112	\$ 8,023,798
Intergovernmental receivable	76,856	4,047	4,111	-	58,155	143,169
Road receivable	-	-	5,931	-	-	5,931
Due from other funds	300	-	-	-	-	300
Taxes receivable	14,012	4,816	6,932	-	10,505	36,265
Total Assets and Deferred Outflows of Resources	\$ 2,533,800	\$ 1,265,913	\$ 895,562	\$ 151,416	\$ 3,362,772	\$ 8,209,463
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
<u>Liabilities:</u>						
Accounts payable	\$ -	\$ -	\$ 36,458	\$ -	\$ -	\$ 36,458
Salaries payable	-	-	6,684	-	-	6,684
Due to other funds	-	-	-	-	300	300
Grants received in advance	-	-	-	151,416	-	151,416
Total Liabilities	\$ -	\$ -	\$ 43,142	\$ 151,416	\$ 300	\$ 194,858
<u>Deferred Inflows of Resources:</u>						
Taxes received in advance	\$ 221,510	\$ 78,858	\$ 112,359	\$ -	\$ 146,093	\$ 558,820
Road receivable	-	-	5,931	-	-	5,931
Taxes receivable	14,012	4,816	6,932	-	10,505	36,265
Total Deferred Inflows of Resources	\$ 235,522	\$ 83,674	\$ 125,222	\$ -	\$ 156,598	\$ 601,016
Total Liabilities and Deferred Inflows of Resources	\$ 235,522	\$ 83,674	\$ 168,364	\$ 151,416	\$ 156,898	\$ 795,874
<u>Fund Balances:</u>						
<u>Restricted for:</u>						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 76,184	\$ 76,184
Highways and bridges	-	1,182,239	727,198	-	1,348,813	3,258,250
Health and welfare	-	-	-	-	278,468	278,468
Conservation of natural resources	-	-	-	-	258,130	258,130
Emergencies	-	-	-	-	391,892	391,892
General government	-	-	-	-	814,316	814,316
Debt service	-	-	-	-	38,371	38,371
Unassigned:	2,298,278	-	-	-	(300)	2,297,978
Total Fund Balances	\$ 2,298,278	\$ 1,182,239	\$ 727,198	\$ -	\$ 3,205,874	\$ 7,413,589
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,533,800	\$ 1,265,913	\$ 895,562	\$ 151,416	\$ 3,362,772	\$ 8,209,463

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, 2016

Total *Fund Balances* of Governmental Funds \$ 7,413,589

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

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

Cost of Capital Assets	\$ 9,189,596	
Less Accumulated Depreciation	<u>(2,543,641)</u>	6,645,955

Property taxes and road receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenues in the funds.

Property Taxes Receivable	\$ 36,265	
Road Department Accounts Receivable	<u>5,931</u>	42,196

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 353,258	
Deferred Inflows Related to Pensions	<u>(50,718)</u>	302,540

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, 2016 are:

Bonds Payable	\$ (2,525,000)	
Interest Payable	(13,431)	
Capital Lease Payable	(7,625)	
Compensated Absences Payable	(32,794)	
Net Pension Liability	<u>(860,504)</u>	<u>(3,439,354)</u>

Total Net Position of Governmental Activities		<u><u>\$ 10,964,926</u></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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	General	Farm to Market Road	County Road & Bridge	FEMA	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Property tax	\$ 806,031	\$ 278,767	\$ 392,471	\$ -	\$ 573,308	\$ 2,050,577
Sales tax	-	-	-	-	185,658	185,658
Intergovernmental	226,826	17,609	18,587	37,465	388,373	688,860
Charges for services	250,819	-	116,591	-	36,679	404,089
Interest income	18,598	-	-	-	-	18,598
Miscellaneous	130,263	-	875	-	22,046	153,184
Total Revenues	\$ 1,432,537	\$ 296,376	\$ 528,524	\$ 37,465	\$ 1,206,064	\$ 3,500,966
<u>Expenditures:</u>						
Current:						
General government	\$ 1,143,759	\$ -	\$ -	\$ -	\$ 4,302	\$ 1,148,061
Public safety	242,858	-	-	-	72,102	314,960
Highways and bridges	-	352,464	708,628	-	46,832	1,107,924
Flood repairs	-	-	-	43,462	-	43,462
Health and welfare	78,052	-	-	-	304,435	382,487
Culture and recreation	62,476	-	-	-	-	62,476
Conserv. of natural resources	-	-	-	-	64,883	64,883
Debt Service:						
Principal	2,542	-	-	-	125,000	127,542
Interest	-	-	-	-	82,435	82,435
Total Expenditures	\$ 1,529,687	\$ 352,464	\$ 708,628	\$ 43,462	\$ 699,989	\$ 3,334,230
Excess (Deficiency) of Revenues Over Expenditures	\$ (97,150)	\$ (56,088)	\$ (180,104)	\$ (5,997)	\$ 506,075	\$ 166,736
<u>Other Financing Sources (Uses):</u>						
Transfers in	\$ 814,182	\$ -	\$ 339,839	\$ -	\$ 91,678	\$ 1,245,699
Transfers out	(814,182)	-	-	-	(431,517)	(1,245,699)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 339,839	\$ -	\$ (339,839)	\$ -
Net Change in Fund Balances	\$ (97,150)	\$ (56,088)	\$ 159,735	\$ (5,997)	\$ 166,236	\$ 166,736
Fund Balances - January 1	\$ 2,395,428	\$ 1,238,327	\$ 567,463	\$ 5,997	\$ 3,039,638	\$ 7,246,853
Fund Balances - December 31	\$ 2,298,278	\$ 1,182,239	\$ 727,198	\$ -	\$ 3,205,874	\$ 7,413,589

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, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ 166,736

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	\$ 119,702	
Current Year Depreciation Expense	<u>(269,539)</u>	(149,837)

The net effect of a miscellaneous transaction involving capital assets is to decrease net capital assets. (900)

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. This is the amount of debt repayment:

Repayment of Debt - Loans	\$ 125,000	
Lease Repayment	<u>2,542</u>	127,542

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.

Decrease in Interest Payable	\$ 208	
Increase in Compensated Absences	<u>(8,827)</u>	(8,619)

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:

Decrease in Taxes Receivable	\$ (54)	
Increase in Road Accounts Receivable	<u>4,665</u>	4,611

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

Increase in Net Pension Liability	\$ (296,360)	
Increase in Deferred Outflows of Resources Related to Pensions	206,061	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>11,454</u>	<u>(78,845)</u>

Change in Net Position of Governmental Activities \$ 60,688

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

STEELE COUNTY
Finley, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
AGENCY FUNDS
December 31, 2016

ASSETS

Cash and cash equivalents	<u>\$ 1,118,937</u>
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LIABILITIES

Due to other governments	<u>\$ 1,118,937</u>
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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, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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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.

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.

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.

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.

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

The County reports the following fund type:

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

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

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

STEELE COUNTY**Notes to the Financial Statements - Continued**

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

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

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the years ended December 31, 2016 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.

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. Pension

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

STEELE COUNTY

Notes to the Financial Statements - Continued

I. 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 \$2,298,278 at December 31, 2016 represented 150% of annual 2016 general fund expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds 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

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

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

Steele County did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2016.

STEELE COUNTY

Notes to the Financial Statements - Continued

Restricted Fund Balances – consist of the following items at December 31, 2016:

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, flood repairs, health & welfare, culture & recreation, conservation of natural resources, emergencies, debt service, and general government purposes. 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 consist of an amount in the general fund and negative fund balances.

Net Position:

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

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

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

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

J. 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: 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.

STEELE COUNTY

Notes to the Financial Statements - Continued

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

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

At year ended December 31, 2016, the county's carrying amount of deposits totaled \$9,133,741, and the bank balances totaled \$9,183,133. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance, and \$11,933 was held at the Bank of North Dakota (not requiring collateralization). The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

The Water Resource District's carrying amount of deposits at December 31, 2016 totaled \$810,128 and the bank balances totaled \$811,131. Of the bank balances, \$346,782 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

The Job Development Authority's carrying amount of deposits at December 31, 2016 totaled \$344,453 and the bank balances totaled \$344,453, all of which was covered 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, 2016, the County held certificates of deposit in the amount of \$2,206,678, and the Job Development Authority held \$328,620, all of which are considered deposits.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 3: 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.

STEELE COUNTY

Notes to the Financial Statements - Continued

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

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

NOTE 4: DUE TO / FROM OTHER FUNDS

The due to other funds reported in the other governmental funds at December 31, 2016 represents the amount of negative cash at year-end in the County Share of Specials fund which is covered by other governmental funds.

NOTE 5: ROAD RECEIVABLES

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

NOTE 6: 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 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2016 for the primary government:

Primary Government	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,425	\$ -	\$ -	\$ 5,425
Construction in Progress	-	67,277	-	67,277
Total Capital Assets, Not Being Depreciated	\$ 5,425	\$ 67,277	\$ -	\$ 72,702
<i>Capital assets, being depreciated:</i>				
Office Equipment	\$ 55,008	\$ -	\$ -	\$ 55,008
Vehicles	288,619	44,925	10,000	323,544
Machinery & Equipment	1,441,718	7,500	52,850	1,396,368
Buildings	979,899	-	-	979,899
Infrastructure	6,362,075	-	-	6,362,075
Total Capital Assets, Being Depreciated	\$ 9,127,319	\$ 52,425	\$ 62,850	\$ 9,116,894
<i>Less accumulated depreciation for:</i>				
Office Equipment	\$ 44,843	\$ 2,541	\$ -	\$ 47,384
Vehicles	241,578	24,060	10,000	255,638
Machinery & Equipment	1,104,677	66,600	51,950	1,119,327
Buildings	453,462	17,286	-	470,748
Infrastructure	491,492	159,052	-	650,544
Total Accumulated Depreciation	\$ 2,336,052	\$ 269,539	\$ 61,950	\$ 2,543,641
Total Capital Assets Being Depreciated, Net	\$ 6,791,267	\$ (217,114)	\$ 900	\$ 6,573,253
Governmental Activities-Capital Assets, Net	\$ 6,796,692	\$ (149,837)	\$ 900	\$ 6,645,955

STEELE COUNTY

Notes to the Financial Statements - Continued

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

Governmental Activities:	Amount
General Government	\$ 12,312
Highways and Bridges	220,465
Public Safety	25,667
Culture and Recreation	11,095
Total Depreciation Expense-Governmental Activities	\$ 269,539

Component Unit – Steele County Water Resource District:

The following is a summary of changes in capital assets for the year ended December 31, 2016 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
Construction in Progress	26,474	1,012,787	-	1,039,261
Total Capital Assets, Not Being Depreciated	\$ 98,397	\$ 1,012,787	\$ -	\$ 1,111,184
<i>Capital assets, being depreciated:</i>				
Infrastructure	\$ 940,645	\$ -	\$ -	\$ 940,645
<i>Less accumulated depreciation for:</i>				
Infrastructure	\$ 150,503	\$ 18,813	\$ -	\$ 169,316
Total Capital Assets Being Depreciated, Net	\$ 790,142	\$ (18,813)	\$ -	\$ 771,329
Governmental Activities-Capital Assets, Net	\$ 888,539	\$ 993,974	\$ -	\$ 1,882,513

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

Intangible Assets for the year ended December 31, 2016:

Steele County Water Resource District	Balance January 1	Increases	Decreases	Balance December 31
<i>Intangible asset, not being depreciated:</i>				
Land Easement	\$ 58,200	\$ 47,500	\$ -	\$ 105,700

Land Easements consists of the water resource districts cost to secure the right to construct drains on private land. This amount is not being amortized.

NOTE 8: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions for differences between actual and expected experience, changes of assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions, net difference between projected and actual investment earnings on pension plan investments, and for contributions made to the plan for the period of July 1, 2016 through December 31, 2016.

NOTE 9: ACCOUNTS PAYABLE

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

STEELE COUNTY

Notes to the Financial Statements - Continued

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: GRANTS RECEIVED IN ADVANCE

Grants received in advance consist of funds received in the FEMA fund where the eligibility requirements have not all been met at December 31, 2016. Asset recognition criteria have been met, but revenue recognition criteria have not been met.

NOTE 12: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and loans payable) outstanding at December 31, 2016.

NOTE 13: LONG-TERM LIABILITIESPrimary Government:

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in governmental activities long-term liabilities for Steele County:

Primary Government	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Leases Payable	\$ 10,167	\$ -	\$ 2,542	\$ 7,625	\$ 2,542
General Obligation Bonds Payable	2,650,000	-	125,000	2,525,000	125,000
Compensated Absences *	23,967	8,827	-	32,794	3,279
Net Pension Liability *	564,144	296,360	-	860,504	-
Total Governmental Activities	\$ 3,248,278	\$ 305,187	\$ 127,542	\$ 3,425,923	\$ 130,821

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

Outstanding debt (excluding compensated absences payable and net pension liability) at December 31, 2016 for the primary government governmental activities consists of the following issues:

General Obligation Bond Payable:

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

\$ 2,525,000

Leases Payable:

\$12,709 copier lease with annual payments of \$2,542 through 2019.

\$ 7,625

STEELE COUNTY

Notes to the Financial Statements - Continued

The annual requirements to amortize the outstanding debt, excluding compensated absences and net pension liability are as follows for the year ended December 31, 2016:

PRIMARY GOVERNMENT				
Year Ending December 31	Leases Payable		G.O. Bonds Payable	
	Principal	Interest	Principal	Interest
2017	\$ 2,542	\$ -	\$ 125,000	\$ 79,970
2018	2,542	-	125,000	78,095
2019	2,541	-	125,000	75,595
2020	-	-	130,000	73,045
2021	-	-	130,000	70,087
2022 - 2026	-	-	710,000	294,158
2027 - 2031	-	-	815,000	163,529
2032 - 2036	-	-	365,000	15,619
Total	\$ 7,625	\$ -	\$ 2,525,000	\$ 850,098

DISCRETELY PRESENTED COMPONENT UNIT:

Steele County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2016, 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	\$ 368,000	\$ -	\$ 56,000	\$ 312,000	\$ 61,000
Loans Payable	74,945	831,610	17,645	888,910	418,784
Compensated Absences *	1,209	-	789	420	42
Net Pension Liability *	25,612	9,791	-	35,403	-
Total Governmental Activities	\$ 469,766	\$ 841,401	\$ 74,434	\$ 1,236,733	\$ 479,826

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

Outstanding debt (excluding compensated absences payable and net pension liability) at December 31, 2016 for the Water Resource District governmental activities consists of the following issues:

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%. \$ 92,000

\$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%. 220,000

Total Bonds Payable \$ 312,000

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. \$ 13,454

\$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. 43,846

STEELE COUNTY

Notes to the Financial Statements - Continued

Loans Payable - Continued

\$355,603 Line of Credit from Citizens State Bank with interest at 4.75%.
Due in 2017. \$ 355,603

\$476,007 Line of Credit from Citizens State Bank with interest at 3.5%.
Annual installments of \$34,489 to \$52,638 are due through 2027. 476,007

Total Loans Payable \$ 888,910

Debt service requirements on long-term debt for the discretely presented component unit at December 31, 2016 are as follows:

COMPONENT UNIT - WATER RESOURCE DISTRICT				
Year Ending December 31	Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2017	\$ 61,000	\$ 13,157	\$ 418,774	\$ 11,821
2018	61,000	10,512	49,158	21,879
2019	95,000	6,884	39,413	23,999
2020	95,000	2,294	45,043	22,352
2021	-	-	46,745	20,631
2022 - 2026	-	-	247,985	75,202
2027 - 2030	-	-	41,792	11,381
Totals	\$ 312,000	\$ 32,847	\$ 888,910	\$ 187,265

Steele County Job Development Authority:

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in governmental and enterprise long-term liabilities of the Job Development Authority:

Steele County Job Develop. Authority	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences *	\$ 1,187	\$ -	\$ 42	\$ 1,145	\$ 114
Net Pension Liability *	24,935	7,773	-	32,708	-
Total Governmental Activities	\$ 26,122	\$ 7,773	\$ 42	\$ 33,853	\$ 114

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

NOTE 14: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, this includes amounts related to pension items for changes in assumptions, and difference between expected and actual experience. Additionally, at the government wide level, deferred inflows of resources in the statement of net position represent the amount of taxes received in advance.

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the taxes received in advance 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 taxes received in advance are measurable but not available.

STEELE COUNTY

Notes to the Financial Statements - Continued

NOTE 15: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2016:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 814,182	\$ 814,182
County Road and Bridge	339,839	-
<u>Nonmajor Funds:</u>		
<u>Special Revenue Funds</u>		
Highway Tax Distribution	-	339,839
911 Fund	91,678	-
911 Wireless Fund	-	91,678
Total Transfers	\$ 1,245,699	\$ 1,245,699

NOTE 16: PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At December 31, 2016, Steele County reported a liability of \$860,504 for its proportionate share of net pension liability, Steele County Water Resource District reported a liability of \$35,403, and Steele County Job Development Authority reported a liability of \$32,708. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the Steele County's proportion was .088293 percent, Steele County Water Resource District's proportion was .003633 percent, and Steele County Job Development Authority's proportion was .003356 percent, which was an increase for the county of .005329, and a decrease of 0.000134, and .000311 percent, respectively, for the Water Resource and Job Development, from its proportion measured as of June 30, 2015.

STEELE COUNTY

Notes to the Financial Statements - Continued

For the year ended December 31, 2016, the Steele County recognized pension expense of \$140,238, Steele County Water Resource District recognized pension expense of \$5,770, and Steele County Job Development Authority recognized pension expense of \$5,331. At December 31, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Main System - Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 12,927	\$ 7,967
Changes of Assumptions	79,328	42,750
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	120,053	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	108,504	-
District Contributions Subsequent to the Measurement Date	32,446	-
Total	\$ 353,258	\$ 50,718

Main System - Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 532	\$ 328
Changes of Assumptions	3,264	1,759
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,939	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,464	-
District Contributions Subsequent to the Measurement Date	1,335	-
Total	\$ 14,534	\$ 2,087

Main System - Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 491	\$ 303
Changes of Assumptions	3,015	1,625
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,563	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,124	-
District Contributions Subsequent to the Measurement Date	1,233	-
Total	\$ 13,428	\$ 1,928

\$32,446, \$1,335, and \$1,233 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

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

	Primary Government	Water Resource District	Job Development Authority
2017	\$ 55,148	\$ 2,269	\$ 2,096
2018	55,148	2,269	2,096
2019	81,337	3,346	3,092
2020	61,078	2,513	2,322
2021	17,383	715	661

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to und benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Primary Government	\$ 1,220,609	\$ 860,504	\$ 557,098
Water Resource District	50,219	35,403	22,920
Job Development Authority	46,396	32,708	21,176

Pension Plan Fiduciary Net Position

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

NOTE 17: 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 \$1,385,970.

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 worker's compensation with the Workforce, Safety and Insurance. The water resource district purchases commercial insurance for employee health and accident insurance.

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

NOTE 18: 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

STEELE COUNTY**Notes to the Financial Statements - Continued**

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, 2016, which is the most current audited information available:

Governmental Activities	Red River Joint Joint WRD
Total Assets	\$ 7,233,622
Total Liabilities	43,309
Net Position	\$ 7,190,313
Revenues	\$ 2,649,394
Expenses	3,125,522
Change in Net Position	\$ (476,128)

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

NOTE 19: DEFICIT BALANCES

The following fund was in a deficit cash position at December 31, 2016:

Nonmajor Funds	
County Share of Specials	(300)

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

NOTE 20: TAX ABATEMENTS

Steele County and political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Steele County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2016.

Steele County will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

Commercial and Residential:

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-02.2-03) and the guidelines stated below. The following criteria are only guidelines.

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city and county, for property within city limits and by the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city and county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of

STEELE COUNTYNotes to the Financial Statements - Continued

the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city and county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

2016 Reduction in Taxes – Due to Agreements with other Entities:

Total program reduction in taxes – \$3,184

NOTE 21: CONSTRUCTION COMMITMENTS

Stutsman County Water Resource District had several open construction commitments as of December 31, 2016 as follows:

Project	Contract	Completed	Retainage	Balance
Drain #8 Improvements	\$ 800,323	\$ 788,234	\$ 40,016	\$ 52,105

NOTE 22: SUBSEQUENT EVENTS

Subsequent to December 31, 2016, and before the report was issued for the Steele County, the County issued \$5,000,000 of general obligation highway bonds. The bonds have maturity dates ranging to May 1, 2018-2025, and an interest rate ranging from 1 percent to 2 percent. Payments on these bonds will begin in 2018.

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 800,000	\$ 800,000	\$ 806,031	\$ 6,031
Intergovernmental	236,300	236,300	226,826	(9,474)
Charges for services	201,000	201,000	250,819	49,819
Interest income	15,600	15,600	18,598	2,998
Miscellaneous	8,350	8,350	130,263	121,913
Total Revenues	\$ 1,261,250	\$ 1,261,250	\$ 1,432,537	\$ 171,287
<u>Expenditures:</u>				
Current:				
General government	\$ 1,423,304	1,423,413	\$ 1,143,759	\$ 279,654
Public safety	291,126	291,126	242,858	48,268
Health and welfare	80,925	80,925	78,052	2,873
Culture and recreation	100,300	100,300	62,476	37,824
Debt Service:				
Principal	-	-	2,542	(2,542)
Total Expenditures	\$ 1,895,655	\$ 1,895,764	\$ 1,529,687	\$ 366,077
Excess (Deficiency) of Revenues Over Expenditures	\$ (634,405)	\$ (634,514)	\$ (97,150)	\$ 537,364
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 814,182	\$ 814,182
Transfers out	-	-	(814,182)	(814,182)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ (634,405)	\$ (634,514)	\$ (97,150)	\$ 537,364
Fund Balances - January 1	\$ 2,395,428	\$ 2,395,428	\$ 2,395,428	\$ -
Fund Balances - December 31	\$ 1,761,023	\$ 1,760,914	\$ 2,298,278	\$ 537,364

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, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 285,186	\$ 285,186	\$ 278,767	\$ (6,419)
Intergovernmental	-	-	17,609	17,609
Total Revenues	\$ 285,186	\$ 285,186	\$ 296,376	\$ 11,190
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 352,464	\$ 352,464	\$ 352,464	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (67,278)	\$ (67,278)	\$ (56,088)	\$ 11,190
Fund Balances - January 1	\$ 1,238,327	\$ 1,238,327	\$ 1,238,327	\$ -
Fund Balances - December 31	\$ 1,171,049	\$ 1,171,049	\$ 1,182,239	\$ 11,190

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, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 406,694	\$ 406,694	\$ 392,471	\$ (14,223)
Intergovernmental	24,300	24,300	18,587	(5,713)
Charges for services	140,000	140,000	116,591	(23,409)
Miscellaneous	2,000	2,000	875	(1,125)
Total Revenues	\$ 572,994	\$ 572,994	\$ 528,524	\$ (44,470)
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 1,139,082	\$ 1,139,082	\$ 708,628	\$ 430,454
Excess (Deficiency) of Revenues Over Expenditures	\$ (566,088)	\$ (566,088)	\$ (180,104)	\$ 385,984
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 339,839	\$ 339,839
Net Change in Fund Balances	\$ (566,088)	\$ (566,088)	\$ 159,735	\$ 725,823
Fund Balances - January 1	\$ 567,463	\$ 567,463	\$ 567,463	\$ -
Fund Balances - December 31	\$ 1,375	\$ 1,375	\$ 727,198	\$ 725,823

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

STEELE COUNTY
Finley, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 37,465	\$ 37,465
<u>Expenditures:</u>				
Current:				
Flood repairs	\$ 1,000	\$ 1,000	\$ 43,462	\$ (42,462)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,000)	\$ (1,000)	\$ (5,997)	\$ (4,997)
Fund Balances - January 1	\$ 5,997	\$ 5,997	\$ 5,997	\$ -
Fund Balances - December 31	\$ 4,997	\$ 4,997	\$ -	\$ (4,997)

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

STEELE COUNTY
Finley, North Dakota

PENSION SCHEDULES
For the Year Ended December 31, 2016

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

Primary Government	2016	2015	2014
District's proportion of the net pension liability (asset)	0.088293%	0.082964%	0.066774%
District's proportionate share of the net pension liability (asset)	\$ 860,504	\$ 564,144	\$ 490,198
District's covered-employee payroll	\$ 889,784	\$ 739,111	\$ 562,494
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	87.15%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

Water Resource District	2016	2015	2014
District's proportion of the net pension liability (asset)	0.003633%	0.003767%	0.003031%
District's proportionate share of the net pension liability (asset)	\$ 35,403	\$ 25,612	\$ 22,255
District's covered-employee payroll	\$ 36,608	\$ 33,555	\$ 25,537
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	87.15%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

Job Development Authority	2016	2015	2014
District's proportion of the net pension liability (asset)	0.003356%	0.003667%	0.002951%
District's proportionate share of the net pension liability (asset)	\$ 32,708	\$ 24,935	\$ 21,667
District's covered-employee payroll	\$ 33,821	\$ 32,668	\$ 24,862
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	87.15%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

*Complete data for this schedule is not available prior to 2014.

**Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years***

Primary Government	2016	2015	2014
Statutorily required contribution	\$ 64,419	\$ 56,142	\$ 40,050
Contributions in relation to the statutorily required contribution	\$ 63,895	\$ 57,703	\$ (40,050)
Contribution deficiency (excess)	\$ 524	\$ (1,561)	\$ 80,099
District's covered-employee payroll	\$ 889,784	\$ 739,111	\$ 562,494
Contributions as a percentage of covered-employee payroll	7.18%	7.60%	7.12%

Water Resource District	2016	2015	2014
Statutorily required contribution	\$ 2,650	\$ 2,549	\$ 1,818
Contributions in relation to the statutorily required contribution	\$ 2,629	\$ 2,620	\$ (1,818)
Contribution deficiency (excess)	\$ 22	\$ (71)	\$ 3,636
District's covered-employee payroll	\$ 36,608	\$ 33,555	\$ 25,537
Contributions as a percentage of covered-employee payroll	7.18%	7.60%	7.12%

Job Development Authority	2016	2015	2014
Statutorily required contribution	\$ 2,449	\$ 2,481	\$ 1,770
Contributions in relation to the statutorily required contribution	\$ 2,429	\$ 2,550	\$ (1,770)
Contribution deficiency (excess)	\$ 20	\$ (69)	\$ 3,540
District's covered-employee payroll	\$ 33,821	\$ 32,668	\$ 24,862
Contributions as a percentage of covered-employee payroll	7.18%	7.60%	7.12%

*Complete data for this schedule is not available prior to 2014.

STEELE COUNTY
Finley, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2016 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$ 1,895,655	\$ 109	\$ 1,895,764
Farm to Market Road	285,180	67,284	352,464
<u>Non-Major Funds:</u>			
Road Construction	-	28,417	28,417
Weight Restriction	3,440	35	3,475
Correctional Facility	35,000	1,658	36,658
E-911	35,958	670	36,628
Hazardous Chemicals	2,500	2,036	4,536

STEELE COUNTYNotes to the Required Supplementary Information – Continued

NOTE 3: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2016, Steele County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Overspent
<u>Special Revenue Funds</u>			
FEMA Fund	\$ 1,000	\$ 43,462	\$ (42,462)
Sales Tax Fund	-	3,383	(3,383)
Document Preservation	-	700	(700)
<u>Debt Service Funds</u>			
County Bond	-	207,435	(207,435)

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

NOTE 4: PENSIONS - CHANGES OF ASSUMPTIONS

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2016. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

STEELE COUNTY
Finley, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
Major Funds:						
General Fund	\$ 1,755,119.94	\$ 1,362,024.52	\$ 814,181.75	\$ -	\$ 1,479,578.83	\$ 2,451,747.38
Capital Projects General Fund	(6,798.01)	-	-	-	50,108.66	(56,906.67)
Insurance Reserve	170,638.30	1,189.64	-	171,827.94	-	-
Oasis and Social Security	488,809.35	1,762.22	-	490,571.57	-	-
Health Care Insurance	135,957.95	2,457.34	-	138,390.49	-	24.80
County Park	13,005.51	48,452.62	-	13,391.75	-	48,066.38
Total General Fund	\$ 2,556,733.04	\$ 1,415,886.34	\$ 814,181.75	\$ 814,181.75	\$ 1,529,687.49	\$ 2,442,931.89
Special Revenue Funds:						
Farm to Market Road	\$ 1,311,167.69	\$ 298,345.51	\$ -	\$ -	\$ 352,463.97	\$ 1,257,049.23
County Road and Bridge	701,157.97	531,646.21	339,838.76	-	694,055.37	878,587.57
FEMA	186,825.52	8,051.93	-	-	43,461.57	151,415.88
Total Major Special Revenue Funds	\$ 2,199,151.18	\$ 838,043.65	\$ 339,838.76	\$ -	\$ 1,089,980.91	\$ 2,287,052.68
Total Major Funds	\$ 4,755,884.22	\$ 2,253,929.99	\$ 1,154,020.51	\$ 814,181.75	\$ 2,619,668.40	\$ 4,729,984.57
Non-Major Funds:						
Special Revenue Funds:						
County Sales Tax	\$ 612,547.12	\$ 180,895.65	\$ -	\$ -	\$ 3,382.77	\$ 790,060.00
Road Construction	491,698.20	-	-	-	28,417.31	463,280.89
Utility Permits	5,029.99	-	-	-	-	5,029.99
Weight Restriction Management	24,187.07	9,015.40	-	-	3,474.80	29,727.67
Highway Tax Distribution	237,111.53	293,057.96	-	339,838.76	-	190,330.73
County Road - 5 Mill	541,253.36	147,921.31	-	-	14,940.00	674,234.67
Correctional Facility	46,344.15	34,519.38	-	-	36,657.52	44,206.01
County Share of Specials	619.14	-	-	-	919.00	(299.86)
Human Services Fund	372,713.51	180,877.31	-	-	266,771.66	286,819.16
Foster Care	6,561.34	10,750.00	-	-	6,450.00	10,861.34
911 Fund	(49,132.94)	35,538.21	91,678.37	-	36,628.26	41,455.38
911 Wireless Fund	90,537.46	1,140.91	-	91,678.37	-	-
Hazardous Chemical Preparedness	4,295.86	462.50	-	-	4,536.00	222.36
Emergency Fund	367,796.40	23,424.74	-	-	-	391,221.14
Veterans Service Officer	10,120.89	32,981.33	-	-	31,213.33	11,888.89
County Agent	125,331.35	6,584.11	-	-	45,928.91	85,986.55
County Agent Special Fund	2,660.25	726.40	-	-	1,269.25	2,117.40
Weed Control	126,910.93	30,827.28	-	-	16,984.97	140,753.24
Document Preservation Fund	26,901.49	4,329.50	-	-	700.00	30,530.99
Total Non-Major Special Revenue Funds	\$ 3,043,487.10	\$ 993,051.99	\$ 91,678.37	\$ 431,517.13	\$ 498,273.78	\$ 3,198,426.55
Debt Service Funds (Non-Major):						
County Bond	\$ 96,979.93	\$ 205,840.13	\$ -	\$ -	\$ 207,435.00	\$ 95,385.06
Total Non-Major Funds	\$ 3,140,467.03	\$ 1,198,892.12	\$ 91,678.37	\$ 431,517.13	\$ 705,708.78	\$ 3,293,811.61
Total Governmental Funds	\$ 7,896,351.25	\$ 3,452,822.11	\$ 1,245,698.88	\$ 1,245,698.88	\$ 3,325,377.18	\$ 8,023,796.18
Agency Funds:						
Job Development Authority	\$ 19,639.62	\$ 70,449.75	\$ -	\$ -	\$ 70,240.47	\$ 19,848.90
Senior Citizens	7,855.89	51,882.24	-	-	51,798.57	7,939.56
Historical Society	5,891.91	21,024.03	-	-	20,961.25	5,954.69
State Tax	7,855.89	27,728.55	-	-	27,644.88	7,939.56
Civil Filing Fees	1,250.00	-	-	-	-	1,250.00
Game and Fish License	860.00	1,734.00	-	-	2,594.00	-
Victim Advocacy	1,850.00	-	-	-	-	1,850.00
Court Costs	400.00	-	-	-	-	400.00
Payroll Deductions	(9,675.92)	-	-	-	2,976.04	(12,651.96)
Estimated Tax	852.32	166.57	-	-	163.81	855.08
Mobile Home Tax	2,464.85	401.83	-	-	1,733.85	1,132.83
Steele County Soil Conservation	7,855.80	29,549.03	-	-	29,465.27	7,939.56
Emergency Medical Services	34,359.13	105,619.98	-	-	106,182.30	33,796.81
Total Cities	86,411.07	448,067.23	-	-	458,713.94	75,764.36
Total Parks	9,653.13	63,292.23	-	-	61,444.28	11,501.08
Total Schools	607,074.80	2,208,544.92	-	-	2,219,382.29	596,237.43
Total Townships	163,221.90	830,063.38	-	-	822,976.66	170,308.62
Total Water Resource District	122,157.36	357,525.66	-	-	334,204.27	145,478.75
Total Rural Fire Districts	43,391.76	195,547.38	-	-	195,546.95	43,392.19
Total Agency Funds	\$ 1,113,369.51	\$ 4,411,596.78	\$ -	\$ -	\$ 4,406,028.83	\$ 1,118,937.46
Total Primary Government	\$ 9,009,720.76	\$ 7,864,418.89	\$ 1,245,698.88	\$ 1,245,698.88	\$ 7,731,406.01	\$ 9,142,733.64

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



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BISMARCK, NORTH DAKOTA 58505

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

Independent Auditor's Report

Board of County Commissioners
Steele County
Finley, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Steele County as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Steele County's basic financial statements, and have issued our report thereon dated September 28, 2017.

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. 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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

STEELE COUNTY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Steele County's financial statements are free 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 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
September 28, 2017

STEELE COUNTY
Finley, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued?	
Governmental Activities	Unmodified
Component Unit – Water Resource District	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control Over Financial Reporting:

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

Section II – Financial Statement Findings

No matters were reported.

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