



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Foster County

Carrington, North Dakota

Audit Report for the Years Ended December 31, 2020 and December 31, 2019

*Client Code: PS16000*



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Office of the  
State Auditor

# FOSTER COUNTY

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For the Years Ended December 31, 2020 and December 31, 2019

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**FOSTER COUNTY**

County Officials  
December 31, 2020 and 2019

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**COUNTY OFFICIALS**

**At December 31, 2020**

Chairman	David Utke
Vice Chairman	Becky Hagel
Commissioner	Alan Scanson
Commissioner	Pat Copenhaver
Commissioner	Scott Beumer
County Auditor	Brad Solbergg
County Treasurer	Dianne Hertel
County Recorder	Lynlle Lyman Hoppe
Sheriff	Justin Johnson
State's Attorney	Kara Brinster

**At December 31, 2019**

Chairman	Alan Scanson
Vice Chairman	David Utke
Commissioner	Pat Copenhaver
Commissioner	Becky Hagel
Commissioner	Scott Beumer
County Auditor	Brad Solbergg
County Treasurer	Dianne Hertel
County Recorder	Lynlle Lyman Hoppe
Sheriff	Justin Johnson
State's Attorney	Kara Brinster

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Foster County  
Carrington, 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 Foster County, North Dakota, as of and for the years ended December 31, 2020 and December 31, 2019, and the related notes to the financial statements, which collectively comprise Foster 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 Foster County, North Dakota, as of December 31, 2020 and December 31, 2019, 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.

**Emphasis of a Matter**

As discussed in Note 1 to the financial statements, Foster County adopted new accounting guidance, GASB Statement No. 84, Accounting and Financial Reporting for Fiduciary Activities. Our opinion is not modified with respect to this matter

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules, schedule of employer's share of net pension liability and employer's contributions, schedule of employer's share of net OPEB liability and employer's contributions, and notes to the required supplementary information* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2025 on our consideration of Foster 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Foster County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foster County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
March 20, 2025

**FOSTER COUNTY**  
Statement of Net Position  
December 31, 2020

	Primary Government	Component Unit	Component Unit
	Governmental Activities	Water Resource District	Weed Board
<b>ASSETS</b>			
Cash and Investments	\$ 5,079,746	\$ 155,095	\$ 115,643
Intergovernmental Receivable	141,534	-	-
Accounts Receivable	6,905	-	-
Road Receivable	161,531	-	-
Due from County	-	2,213	4,193
Taxes Receivable	40,106	2,297	1,876
Inventory	-	-	42,553
Prepaid Assets	-	-	28,314
Other Assets	265	-	-
Capital Assets			
Nondepreciable	105,560	-	-
Depreciable, Net	8,834,262	-	23,585
Total Assets	<u>\$ 14,369,909</u>	<u>\$ 159,605</u>	<u>\$ 216,164</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Derived from Pension and OPEB	<u>\$ 1,602,727</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 15,972,636</u>	<u>\$ 159,605</u>	<u>\$ 216,164</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 25,374	\$ -	\$ -
Salaries Payable	56,215	-	-
Grant Received in Advance	131,436	-	-
Retainage Payable	8,608	-	-
Interest Payable	1,231	-	-
Long-Term Liabilities			
Due Within One Year			
Compensated Absences Payable	5,250	-	-
Long Term Debt	74,666	-	-
Due After One Year			
Compensated Absences Payable	47,246	-	-
Long Term Debt	278,163	-	-
Net Pension and OPEB Liability	2,670,326	-	-
Total Liabilities	<u>\$ 3,298,515</u>	<u>\$ -</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Derived from Pension and OPEB	\$ 622,473	\$ -	\$ -
Taxes Received in Advance	517,218	-	-
Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,438,206</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 8,586,993	\$ -	\$ 23,585
Restricted			
Debt Service	19,424	-	-
Public Safety	221,704	-	-
Highways	1,091,705	-	-
Health and Welfare	69,882	-	-
Culture and Recreation	10,058	-	-
Conservation of Natural Resources	-	159,605	192,579
Economic Development	40,373	-	-
Emergencies	105,989	-	-
Unrestricted	1,388,302	-	-
Total Net Position	<u>\$ 11,534,430</u>	<u>\$ 159,605</u>	<u>\$ 216,164</u>

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

# FOSTER COUNTY

## Statement of Activities

For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit	Component Unit
					Governmental Activities	Water Resource District	Weed Board
<b>Primary Government</b>							
General Government	\$ 1,365,950	\$ 43,184	\$ 117,594	\$ -	\$ (1,205,172)		
Public Safety	420,868	95,306	14,305	-	(311,257)		
Highways	1,074,153	186,330	390,590	191,242	(305,991)		
Health and Welfare	497,267	119,122	222,465	-	(155,680)		
Culture and Recreation	6,468	-	-	-	(6,468)		
Conservation of Natural Resources	123,886	-	5,332	-	(118,554)		
Economic Development	2,075	-	-	-	(2,075)		
Interest Expense on Long-Term Debt	7,853	-	-	-	(7,853)		
<b>Total Primary Government</b>	<b>\$ 3,498,520</b>	<b>\$ 443,942</b>	<b>\$ 750,286</b>	<b>\$ 191,242</b>	<b>\$ (2,113,050)</b>		
<b>Component Unit</b>							
Water Resource District	\$ 44,357	\$ -	\$ 5,879	\$ -		\$ (38,478)	\$ -
Weed Board	133,117	55,161	-	-		-	(77,956)
<b>General Revenues</b>							
Property Taxes					\$ 1,774,610	\$ 97,509	\$ 81,510
Grants and Contributions Not Restricted to Specific Programs					541,970	-	-
Gain on Sale of Assets					21,574	-	-
Proceeds from Sale of Capital Assets					-	-	8,551
Interest Revenue					44,966	11	-
Miscellaneous Revenue					32,499	-	-
<b>Total General Revenues</b>					<b>\$ 2,415,619</b>	<b>\$ 97,520</b>	<b>\$ 90,061</b>
<b>Change in Net Position</b>					<b>\$ 302,569</b>	<b>\$ 59,042</b>	<b>\$ 12,105</b>
<b>Net Position - January 1</b>					<b>\$ 11,231,861</b>	<b>\$ 100,563</b>	<b>\$ 204,059</b>
<b>Net Position - December 31</b>					<b>\$ 11,534,430</b>	<b>\$ 159,605</b>	<b>\$ 216,164</b>

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

# FOSTER COUNTY

Balance Sheet – Governmental Funds  
December 31, 2020

	General	Special Revenue	Debt Service	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 2,675,416	\$ 2,383,675	\$ 20,655	\$ 5,079,746
Intergovernmental Receivable	98,165	43,369	-	141,534
Accounts Receivable	6,905	-	-	6,905
Road Receivables	-	161,531	-	161,531
Taxes Receivable	24,623	14,067	1,416	40,106
Other Assets	265	-	-	265
<b>Total Assets</b>	<b>\$ 2,805,374</b>	<b>\$ 2,602,642</b>	<b>\$ 22,071</b>	<b>\$ 5,430,087</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 4,540	\$ 20,834	\$ -	\$ 25,374
Retainage Payable	-	8,608	-	8,608
Salaries & Benefits Payable	29,290	26,925	-	56,215
Grants Received in Advance	-	131,436	-	131,436
<b>Total Liabilities</b>	<b>\$ 33,830</b>	<b>\$ 187,803</b>	<b>\$ -</b>	<b>\$ 221,633</b>
<b>Deferred Inflows of Resources</b>				
Taxes Receivable	\$ 24,623	\$ 14,067	\$ 1,416	\$ 40,106
Road Receivables	-	161,531	-	161,531
Taxes Received in Advance	308,556	208,662	-	517,218
<b>Total Deferred Inflows of Resources</b>	<b>\$ 333,179</b>	<b>\$ 384,260</b>	<b>\$ 1,416</b>	<b>\$ 718,855</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 367,009</b>	<b>\$ 572,063</b>	<b>\$ 1,416</b>	<b>\$ 940,488</b>
<b>Fund Balances</b>				
<b>Restricted</b>				
Debt Service	\$ -	\$ -	\$ 20,655	\$ 20,655
Public Safety	-	227,901	-	227,901
Highways	-	1,331,496	-	1,331,496
Health and Welfare	-	336,500	-	336,500
Culture and Recreation	-	10,058	-	10,058
Emergency	-	105,281	-	105,281
General Government	-	50,991	-	50,991
Economic Development	-	38,794	-	38,794
<b>Unassigned</b>				
General Fund	2,438,365	-	-	2,438,365
Negative Fund Balances	-	(70,442)	-	(70,442)
<b>Total Fund Balances</b>	<b>\$ 2,438,365</b>	<b>\$ 2,030,579</b>	<b>\$ 20,655</b>	<b>\$ 4,489,599</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,805,374</b>	<b>\$ 2,602,642</b>	<b>\$ 22,071</b>	<b>\$ 5,430,087</b>

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

**FOSTER COUNTY**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position  
December 31, 2020

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<b>Total Fund Balances for Governmental Funds</b>		\$ 4,489,599
Total <i>net position</i> reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		8,939,822
Certain 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 inflow of resources in the funds.		
Property taxes receivable	\$ 40,106	
Road receivables	<u>161,531</u>	201,637
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows derived from pensions and OPEB	\$ 1,602,727	
Deferred inflows derived from pensions and OPEB	<u>(622,473)</u>	980,254
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position.		
Compensated absences	\$ (52,496)	
Interest Payable	(1,231)	
Long Term Debt	(352,829)	
Net pension and OPEB liability	<u>(2,670,326)</u>	<u>(3,076,882)</u>
<b>Total Net Position of Governmental Activities</b>		<u><u>\$ 11,534,430</u></u>

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

**FOSTER COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
 For the Year Ended December 31, 2020

	General	Special Revenue	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,090,986	\$ 630,450	\$ 51,633	\$ 1,773,069
Intergovernmental	583,766	708,304	187	1,292,257
Charges for Services	43,507	428,044	-	471,551
Licenses, Permits and Fees	10,245	-	-	10,245
Interest Income	44,966	-	-	44,966
Miscellaneous	21,535	10,964	-	32,499
<b>Total Revenues</b>	<b>\$ 1,795,005</b>	<b>\$ 1,777,762</b>	<b>\$ 51,820</b>	<b>\$ 3,624,587</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 1,022,352	\$ 124,878	\$ -	\$ 1,147,230
Public Safety	362,588	75,029	-	437,617
Highways	-	1,198,321	246	1,198,567
Health and Welfare	-	439,070	-	439,070
Conser. of Natural Resources	12,756	100,701	-	113,457
Emergency	-	400	-	400
Debt Service				
Principal	-	51,431	84,421	135,852
Interest & Service Charges	-	7,068	3,896	10,964
<b>Total Expenditures</b>	<b>\$ 1,397,696</b>	<b>\$ 1,996,898</b>	<b>\$ 88,563</b>	<b>\$ 3,483,157</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 397,309	\$ (219,136)	\$ (36,743)	\$ 141,430
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Asset	\$ -	\$ 134,000	\$ -	\$ 134,000
Lease Financing	-	168,903	-	168,903
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ 302,903</b>	<b>\$ -</b>	<b>\$ 302,903</b>
<b>Net Change in Fund Balances</b>	<b>\$ 397,309</b>	<b>\$ 83,767</b>	<b>\$ (36,743)</b>	<b>\$ 444,333</b>
Fund Balance - January 1	\$ 2,041,056	\$ 1,946,812	\$ 57,398	\$ 4,045,266
Fund Balance - December 31	\$ 2,438,365	\$ 2,030,579	\$ 20,655	\$ 4,489,599

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

# FOSTER COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2020

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**Net Change in Fund Balances - Total Governmental Funds** \$ 444,333

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.

Current Year Capital Outlay	\$ 634,651	
Current Year Capital Contribution	191,242	
Current Year Depreciation	<u>(464,463)</u>	361,430

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Gain on Sale of Capital Assets	21,574	
Proceeds from Sale of Capital Assets	<u>(134,000)</u>	(112,426)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

(33,051)

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.

Increase in Compensated Absences	\$ (5,615)	
Decrease in Interest Payable	<u>3,111</u>	(2,504)

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.

Increase in Taxes Receivable	1,541	
Decrease in Road Receivable	<u>(37,854)</u>	(36,313)

The Net Pension & OPEB 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 & OPEB Liability	\$ (1,635,688)	
Increase in Deferred Outflows of Resources	1,081,802	
Decrease in Deferred Inflows of Resources	<u>234,986</u>	(318,900)

**Change in Net Position of Governmental Activities** \$ 302,569

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

**FOSTER COUNTY**  
Statement of Net Position  
December 31, 2019

	Primary Government	Component Unit	Component Unit
	Governmental Activities	Water Resource District	Weed Board
<b>ASSETS</b>			
Cash and Investments	\$ 4,590,511	\$ 93,552	\$ 104,652
Intergovernmental Receivable	168,763	-	-
Accounts Receivable	6,725	-	-
Road Receivables	199,385	-	-
Due from County	-	4,695	5,779
Taxes Receivable	38,565	2,316	1,739
Inventory	-	-	21,465
Prepaid Assets	-	-	52,829
Other Assets	4,082	-	-
Capital Assets			
Nondepreciable	545,742	-	-
Depreciable, Net	8,145,077	-	17,595
Total Assets	<u>\$ 13,698,850</u>	<u>\$ 100,563</u>	<u>\$ 204,059</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Derived from Pension and OPEB	\$ 520,925	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	<u>\$ 14,219,775</u>	<u>\$ 100,563</u>	<u>\$ 204,059</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 111,654	\$ -	\$ -
Salaries Payable	49,751	-	-
Grant Received in Advance	30,864	-	-
Retainage Payable	29,375	-	-
Interest Payable	4,342	-	-
Long-Term Liabilities			
Due Within One Year			
Compensated Absences Payable	4,688	-	-
Long Term Debt	135,852	-	-
Due After One Year			
Compensated Absences Payable	42,193	-	-
Long Term Debt	183,926	-	-
Net Pension and OPEB Liability	1,034,638	-	-
Total Liabilities	<u>\$ 1,627,283</u>	<u>\$ -</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Derived from Pension and OPEB	\$ 857,460	\$ -	\$ -
Taxes Received in Advance	503,171	-	-
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,987,914</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 8,371,041	\$ -	\$ 17,595
Restricted			
Debt Service	57,398	-	-
Public Safety	210,798	-	-
Highways	1,223,419	-	-
Culture and Recreation	10,058	-	-
Conservation of Natural Resources	-	100,563	186,464
Emergencies	80,930	-	-
Economic Development	40,336	-	-
Unrestricted	1,237,881	-	-
Total Net Position	<u>\$ 11,231,861</u>	<u>\$ 100,563</u>	<u>\$ 204,059</u>

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

# FOSTER COUNTY

## Statement of Activities

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit	Component Unit
					Governmental Activities	Water Resource District	Weed Board
<b>Primary Government</b>							
General Government	\$ 1,327,538	\$ 35,744	\$ 41,530	\$ -	\$ (1,250,264)		
Public Safety	429,721	74,946	19,435	-	(335,340)		
Highways	1,635,087	237,694	436,800	418,113	(542,480)		
Health and Welfare	452,548	122,471	236,941	-	(93,136)		
Culture and Recreation	6,707	-	-	-	(6,707)		
Conservation of Natural Resources	75,309	-	45,303	-	(30,006)		
Economic Development	1,684	-	-	-	(1,684)		
Interest Expense on Long-Term Debt	12,111	-	-	-	(12,111)		
<b>Total Primary Government</b>	<b>\$ 3,940,705</b>	<b>\$ 470,855</b>	<b>\$ 780,009</b>	<b>\$ 418,113</b>	<b>\$ (2,271,728)</b>		
<b>Component Unit</b>							
Water Resource District	\$ 41,559	\$ -	\$ -	\$ -	\$ (41,559)	\$ -	\$ -
Weed Board	113,022	52,229	-	-	-	-	(60,793)
<b>General Revenues</b>							
Property Taxes					\$ 1,688,618	\$ 100,329	\$ 76,133
Grants and Contributions Not Restricted to Specific Programs					466,551	-	-
Interest Revenue					100,011	9	-
Miscellaneous Revenue					27,638	40	-
<b>Total General Revenues</b>					<b>\$ 2,282,818</b>	<b>\$ 100,378</b>	<b>\$ 76,133</b>
Change in Net Position					\$ 11,090	\$ 58,819	\$ 15,340
Net Position - January 1					\$ 11,220,771	\$ 41,744	\$ 188,719
Net Position - December 31					<b>\$ 11,231,861</b>	<b>\$ 100,563</b>	<b>\$ 204,059</b>

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

**FOSTER COUNTY**

Balance Sheet – Governmental Funds  
December 31, 2019

	General	Special Revenue	Debt Service	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 2,297,302	\$ 2,221,315	\$ 71,894	\$ 4,590,511
Intergovernmental Receivable	116,230	52,533	-	168,763
Accounts Receivable	6,725	-	-	6,725
Road Receivables	-	199,385	-	199,385
Taxes Receivable	22,049	14,200	2,316	38,565
Other Assets	628	3,454	-	4,082
<b>Total Assets</b>	<b>\$ 2,442,934</b>	<b>\$ 2,490,887</b>	<b>\$ 74,210</b>	<b>\$ 5,008,031</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 16,850	\$ 94,804	\$ -	\$ 111,654
Retainage Payable	29,375	-	-	29,375
Salaries & Benefits Payable	25,027	24,724	-	49,751
Grants Received in Advance	-	30,864	-	30,864
<b>Total Liabilities</b>	<b>\$ 71,252</b>	<b>\$ 150,392</b>	<b>\$ -</b>	<b>\$ 221,644</b>
<b>Deferred Inflows of Resources</b>				
Taxes Receivable	\$ 22,049	\$ 14,200	\$ 2,316	\$ 38,565
Road Receivables	-	199,385	-	199,385
Taxes Received in Advance	308,577	180,098	14,496	503,171
<b>Total Deferred Inflows of Resources</b>	<b>\$ 330,626</b>	<b>\$ 393,683</b>	<b>\$ 16,812</b>	<b>\$ 741,121</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 401,878</b>	<b>\$ 544,075</b>	<b>\$ 16,812</b>	<b>\$ 962,765</b>
<b>Fund Balances</b>				
<b>Restricted</b>				
Debt Service	\$ -	\$ -	\$ 57,398	\$ 57,398
Public Safety	-	218,710	-	218,710
Highways	-	1,375,236	-	1,375,236
Health and Welfare	-	156,422	-	156,422
Culture and Recreation	-	10,058	-	10,058
Emergency	-	79,772	-	79,772
General Government	-	94,558	-	94,558
Economic Development	-	38,794	-	38,794
<b>Unassigned</b>				
General Fund	2,041,056	-	-	2,041,056
Negative Fund Balances	-	(26,738)	-	(26,738)
<b>Total Fund Balances</b>	<b>\$ 2,041,056</b>	<b>\$ 1,946,812</b>	<b>\$ 57,398</b>	<b>\$ 4,045,266</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,442,934</b>	<b>\$ 2,490,887</b>	<b>\$ 74,210</b>	<b>\$ 5,008,031</b>

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

# FOSTER COUNTY

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2019

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<b>Total Fund Balances for Governmental Funds</b>		\$ 4,045,266
Total <i>net position</i> reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		8,690,819
Certain 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 inflow of resources in the funds.		
Property taxes receivable	38,565	
Road receivables	199,385	237,950
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows derived from pensions and OPEB	\$ 520,925	
Deferred inflows derived from pensions and OPEB	<u>(857,460)</u>	(336,535)
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position.		
Compensated absences	\$ (46,881)	
Interest Payable	(4,342)	
Long-Term Debt	(319,778)	
Net pension and OPEB liability	<u>(1,034,638)</u>	<u>(1,405,639)</u>
<b>Total Net Position of Governmental Activities</b>		<u><u>\$ 11,231,861</u></u>

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

**FOSTER COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
 For the Year Ended December 31, 2019

	General	Special Revenue	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 941,644	\$ 650,042	\$ 100,225	\$ 1,691,911
Intergovernmental	561,987	684,190	384	1,246,561
Charges for Services	39,043	398,985	-	438,028
Licenses, Permits and Fees	2,666	-	-	2,666
Interest Income	100,011	-	-	100,011
Miscellaneous	13,360	14,278	-	27,638
<b>Total Revenues</b>	<b>\$ 1,658,711</b>	<b>\$ 1,747,495</b>	<b>\$ 100,609</b>	<b>\$ 3,506,815</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 1,267,585	\$ 47,066	\$ -	\$ 1,314,651
Public Safety	380,490	64,667	-	445,157
Highways	-	1,321,865	18	1,321,883
Health and Welfare	-	440,652	-	440,652
Culture and Recreation	45,543	-	-	45,543
Conser. of Natural Resources	7,075	68,234	-	75,309
Emergency	-	9	-	9
Debt Service				
Principal	-	49,946	81,641	131,587
Interest & Service Charges	-	8,553	6,676	15,229
<b>Total Expenditures</b>	<b>\$ 1,700,693</b>	<b>\$ 2,000,992</b>	<b>\$ 88,335</b>	<b>\$ 3,790,020</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (41,982)	\$ (253,497)	\$ 12,274	\$ (283,205)
<b>Net Change in Fund Balances</b>	<b>\$ (41,982)</b>	<b>\$ (253,497)</b>	<b>\$ 12,274</b>	<b>\$ (283,205)</b>
Fund Balance - January 1	\$ 2,083,038	\$ 2,200,309	\$ 45,124	\$ 4,328,471
Fund Balance - December 31	<u>\$ 2,041,056</u>	<u>\$ 1,946,812</u>	<u>\$ 57,398</u>	<u>\$ 4,045,266</u>

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

# FOSTER COUNTY

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2019

**Net Change in *Fund Balances* - Total Governmental Funds** \$ (283,205)

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.

Current Year Capital Outlay	\$ 169,742	
Current Year Capital Contribution	418,113	
Current Year Depreciation	<u>(437,911)</u>	149,944

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

Repayment of Debt		131,587
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	\$ 3,541	
Decrease in Interest Payable	<u>3,118</u>	6,659

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.

Decrease in Taxes Receivable	\$ (3,293)	
Increase in Road Receivable	<u>30,160</u>	26,867

The Net Pension & OPEB 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.

Decrease in Net Pension & OPEB Liability	\$ 1,040,504	
Decrease in Deferred Outflows of Resources	(390,289)	
Increase in Deferred Inflows of Resources	<u>(670,977)</u>	<u>(20,762)</u>

**Change in *Net Position* of Governmental Activities** \$ 11,090

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

**FOSTER COUNTY**

Statement of Fiduciary Net Position  
December 31, 2020

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 1,635,557</u>
<b>LIABILITIES</b>	
Liabilities	
Funds Held for Other Governmental Units	<u>\$ 14,037</u>
Total Liabilities	<u><u>\$ 14,037</u></u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 1,621,520</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>\$ 1,635,557</u></u>
<b>NET POSITION</b>	<u><u>\$ -</u></u>

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

**FOSTER COUNTY**Statement of Changes in Fiduciary Net Position  
For the Year Ended December 31, 2020

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Tax Collections for Other Governments	\$ 5,058,849
Grant Collections for Other Governments	262,374
Miscellaneous Collections	<u>175,399</u>
Total Additions	<u>\$ 5,496,622</u>
<b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	\$ 5,058,849
Grant Disbursements to Other Governments	262,374
Miscellaneous Disbursements	<u>175,399</u>
Total Deductions	<u>\$ 5,496,622</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ -</u>

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

**FOSTER COUNTY**

Statement of Fiduciary Net Position

December 31, 2019

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	Custodial Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,349,588
<b>LIABILITIES</b>	
Liabilities	
Funds Held for Other Governmental Units	\$ 65,735
Deferred Inflows of Resources	
Taxes Received in Advance	\$ 1,283,853
Total Liabilities and Deferred Inflows of Resources	\$ 1,349,588
<b>NET POSITION</b>	\$ -

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

**FOSTER COUNTY**

Statement of Changes in Fiduciary Net Position  
For the Year Ended December 31, 2019

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Tax Collections for Other Governments	\$ 5,030,221
Grant Collections for Other Governments	271,719
Miscellaneous Collections	<u>163,278</u>
Total Additions	<u>\$ 5,465,218</u>
<b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	\$ 5,030,221
Grant Disbursements to Other Governments	271,719
Miscellaneous Disbursements	<u>163,278</u>
Total Deductions	<u>\$ 5,465,218</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ -</u>

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

# FOSTER COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

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## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Foster County (hereafter referred to as “County”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. 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 government’s accounting policies are described below.

### Reporting Entity

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

Based on these criteria, the component units discussed below are included within the County’s reporting entity because of the significance of its operational or financial relationship with the County.

### Component Units

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

*Discretely Presented Component Units:* The component unit columns in the government wide financial statements include the financial data of the County’s two component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

Foster County Water Resource District. The Foster County Water Resource District (“Water Resource District”) governing board is appointed by the County’s governing body. The County’s governing body has the authority to disapprove, amend, or approve the Water Resource District budget.

Foster County Weed Board. The Foster County Weed Board (“Weed Board”) governing board is appointed by the County’s governing body. The County’s governing body has the authority to disapprove, amend, or approve the Weed Board budget.

### Basis of Presentation

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

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

*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.

## FOSTER COUNTY

### Notes to the Financial Statements – Continued

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The County reports the following major governmental funds:

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

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

**Debt Service Fund** - This fund accounts for financial resources that exist for paying debt service. The major sources of revenues are a restricted tax levy.

Additionally, the County reports the following fund type:

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

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

### **Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

### **Capital Assets**

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

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

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

<b>Assets</b>	<b>Years</b>
Buildings	50 - 100
Equipment	5 - 10
Vehicles	10
Infrastructure	25 - 50

**Compensated Absences**

Full time employees, except for social services employees, earn vacation benefits from eight to fourteen hours per month, depending on tenure with the County. Social services employees earn vacation benefits from eight to sixteen hours per month, depending on tenure with the County. Employees, except social services employees, can carry over a maximum of 240 hours of vacation at December 31 of each year. Social services employees can carry over a maximum of 240 hours at April 30, of each year.

Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of 240 hours, based on their current rate of pay. Vested or accumulated vacation leave is reported in the general long-term debt account group. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**Long-Term Obligations**

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

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

**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.

**Fund Balances**

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

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state and federal governments for various grants & reimbursements).

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

*Nonspendable Fund Balances.* When applicable, nonspendable fund balances consist of amounts for loan receivables, prepaid expenses, inventory, and advance to other governments which cannot be spent.

## **FOSTER COUNTY**

### Notes to the Financial Statements – Continued

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#### **Net Position**

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

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

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

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

#### **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.

#### **Implementation of New Accounting Principle**

The County implemented GASB Statement No. 84, Accounting and Financial Reporting for Fiduciary Activities during the year ended December 31, 2019. GASB Statement No. 84 provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities for state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

#### **NOTE 2 DEPOSITS**

##### **Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the County would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The County does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, 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, 2020, the County's carrying amount of deposits totaled \$6,682,155, and the bank balances totaled \$6,810,733. Of the bank balances, \$5,767,571 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the governments

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

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At year ended December 31, 2019, the County’s carrying amount of deposits totaled \$5,805,851, and the bank balances totaled \$5,849,916. Of the deposits, a total of \$5,127,555 was covered by FDIC Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

At year ended December 31, 2020, the Water Resource District’s carrying amount of deposits totaled \$155,936, and the bank balances totaled \$156,606, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2019, the Water Resource District’s carrying amount of deposits totaled \$93,552, and the bank balances totaled \$95,134, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2020, the Weed Board’s carrying amount of deposits totaled \$115,643, and the bank balances totaled \$116,168, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2019, the Weed Board’s carrying amount of deposits totaled \$104,652, and the bank balances totaled \$105,586, all of which were covered by Federal Depository Insurance.

**NOTE 3 PROPERTY TAXES**

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

**NOTE 4 CAPITAL ASSETS**

**Primary Government**

The following is a summary of changes in capital assets for the years ended December 31, 2020 and 2019 respectively:

	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<b>Primary Government - 2020</b>					
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	545,742	369,679	-	(809,861)	105,560
Total capital assets not being depreciated	\$ 545,742	\$ 369,679	\$ -	\$ (809,861)	\$ 105,560
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 423,860	\$ 52,910	\$ (30,128)	\$ -	\$ 446,642
Equipment	1,642,569	423,303	(320,938)	-	1,744,934
Buildings	2,242,138	-	-	-	2,242,138
Infrastructure	6,908,068	-	-	809,861	7,717,929
Total capital assets, being depreciated	\$ 11,216,635	\$ 476,213	\$ (351,066)	\$ 809,861	\$ 12,151,643
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 290,335	\$ 26,804	\$ (18,077)	\$ -	\$ 299,062
Equipment	792,396	160,225	(200,563)	-	752,058
Buildings	940,989	36,498	-	-	977,487
Infrastructure	1,047,838	240,936	-	-	1,288,774
Total accumulated depreciation	\$ 3,071,558	\$ 464,463	\$ (218,640)	\$ -	\$ 3,317,381
Total capital assets being depreciated, net	\$ 8,145,077	\$ 11,750	\$ (132,426)	\$ 809,861	\$ 8,834,262
Total capital assets, net	\$ 8,690,819	\$ 381,429	\$ (132,426)	\$ -	\$ 8,939,822

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

<b>Primary Government - 2019</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	70,185	475,557	-	-	545,742
<b>Total capital assets not being depreciated</b>	<b>\$ 70,185</b>	<b>\$ 475,557</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 545,742</b>
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 388,455	\$ 35,405	\$ -	\$ -	\$ 423,860
Equipment	1,565,676	76,893	-	-	1,642,569
Buildings	2,242,138	-	-	-	2,242,138
Infrastructure	6,908,068	-	-	-	6,908,068
<b>Total capital assets, being depreciated</b>	<b>\$ 11,104,337</b>	<b>\$ 112,298</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,216,635</b>
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 263,649	\$ 26,686	\$ -	\$ -	\$ 290,335
Equipment	642,407	149,989	-	-	792,396
Buildings	904,491	36,498	-	-	940,989
Infrastructure	823,100	224,738	-	-	1,047,838
<b>Total accumulated depreciation</b>	<b>\$ 2,633,647</b>	<b>\$ 437,911</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,071,558</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 8,470,690</b>	<b>\$ (325,613)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,145,077</b>
<b>Total capital assets, net</b>	<b>\$ 8,540,875</b>	<b>\$ 149,944</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,690,819</b>

Depreciation expense was charged to functions of the County as follows:

<b>Primary Government</b>	<b>2020</b>	<b>2019</b>
General Government	\$ 31,567	\$ 31,567
Public Safety	18,195	19,017
Highways	400,279	372,296
Health and Welfare	6,279	6,889
Culture and Recreation	6,468	6,467
Emergency Management	1,675	1,675
<b>Total Depreciation Expense</b>	<b>\$ 464,463</b>	<b>\$ 437,911</b>

**Discretely Presented Component Unit**

The following is a summary of changes in capital assets for the years ended December 31, 2020 and 2019 respectively for the Weed Board:

<b>Weed Board - 2020</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 42,279	\$ 23,539	\$ (18,279)	\$ -	\$ 47,539
<b>Total capital assets, being depreciated</b>	<b>\$ 42,279</b>	<b>\$ 23,539</b>	<b>\$ (18,279)</b>	<b>\$ -</b>	<b>\$ 47,539</b>
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 24,684	\$ 4,754	\$ (5,484)	\$ -	\$ 23,954
<b>Total accumulated depreciation</b>	<b>\$ 24,684</b>	<b>\$ 4,754</b>	<b>\$ (5,484)</b>	<b>\$ -</b>	<b>\$ 23,954</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 17,595</b>	<b>\$ 18,785</b>	<b>\$ (12,795)</b>	<b>\$ -</b>	<b>\$ 23,585</b>
<b>Total capital assets, net</b>	<b>\$ 17,595</b>	<b>\$ 18,785</b>	<b>\$ (12,795)</b>	<b>\$ -</b>	<b>\$ 23,585</b>

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

<b>Weed Board - 2019</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 42,279	\$ -	\$ -	\$ -	\$ 42,279
Total capital assets, being depreciated	\$ 42,279	\$ -	\$ -	\$ -	\$ 42,279
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 20,456	\$ 4,228	\$ -	\$ -	\$ 24,684
Total accumulated depreciation	\$ 20,456	\$ 4,228	\$ -	\$ -	\$ 24,684
Total capital assets being depreciated, net	\$ 21,823	\$ (4,228)	\$ -	\$ -	\$ 17,595
Total capital assets, net	\$ 21,823	\$ (4,228)	\$ -	\$ -	\$ 17,595

Depreciation expense was charged to the conservation of natural resources function.

**NOTE 5 LONG-TERM LIABILITIES**

**Primary Government**

During the years ended December 31, 2020 and 2019 respectively, the following changes occurred in governmental activities long-term liabilities:

<b>Primary Government - 2020</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long Term Debt					
Capital Lease Payable	\$ 235,358	\$ 168,903	\$ 51,432	\$ 352,829	\$ 74,666
Loans Payable	84,420	-	84,420	-	-
Total Long Term Debt	\$ 319,778	\$ 168,903	\$ 135,852	\$ 352,829	\$ 74,666
Compensated Absences *	\$ 46,881	\$ 5,615	\$ -	\$ 52,496	\$ 5,250
Net Pension and OPEB Liability *	1,034,638	1,635,688	-	2,670,326	-
Total Long Term Liabilities	\$ 1,081,519	\$ 1,641,303	\$ -	\$ 2,722,822	\$ 5,250

<b>Primary Government - 2019</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long Term Debt					
Capital Lease Payable	\$ 285,304	\$ -	\$ 49,946	\$ 235,358	\$ 51,431
Loans Payable	166,061	-	81,641	84,420	84,420
Total Long Term Debt	\$ 451,365	\$ -	\$ 131,587	\$ 319,778	\$ 135,851
Compensated Absences *	\$ 50,422	\$ -	\$ 3,541	\$ 46,881	\$ 4,688
Net Pension and OPEB Liability *	2,075,142	-	1,040,504	1,034,638	-
Total Long Term Liabilities	\$ 2,125,564	\$ -	\$ 1,044,045	\$ 1,081,519	\$ 4,688

Debt service requirements on long-term debt is as follows:

<b>Primary Government</b>		
<b>Year Ending December 31</b>	<b>Capital Leases</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 74,666	\$ 11,459
2022	77,002	9,122
2023	79,413	6,712
2024	44,360	4,205
2025	24,912	2,712
2026-2030	52,476	2,775
Totals	\$ 352,829	\$ 36,985

**NOTE 6 PENSION PLAN**

**General Information about the NDPERS Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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 on or after January 1, 2016 the Rule of 85 was replaced with the 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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. 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

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% 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, 2020 and 2019, Foster County reported a liability of \$2,60,0092 and \$963,455. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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, 2020 and 2019, the County's proportion was .082647 and .082201 percent, respectively, which was an increase of .000446 percent from its proportion measured as of June 30, 2019.

For the years ended December 31, 2020 and 2019, the County recognized pension expense of \$388,134 and \$98,968. At December 31, 2020 and 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Primary Government - 2020</b>		
Differences Between Expected and Actual Experience	\$ 10,118	\$ 131,749
Changes in Assumptions	1,393,814	230,432
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	83,918	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	54,735	245,486
Contributions - Employer	39,333	-
<b>Total Deferred Outflow and Inflow of Resources</b>	<b>\$ 1,581,918</b>	<b>\$ 607,667</b>
<b>Primary Government - 2019</b>		
Differences Between Expected and Actual Experience	\$ 570	\$ 174,849
Changes in Assumptions	360,018	309,107
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	16,786	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	88,146	358,766
Contributions - Employer	37,632	-
<b>Total Deferred Outflow and Inflow of Resources</b>	<b>\$ 503,152</b>	<b>\$ 842,722</b>

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

\$39,333 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, 2021 by the County.

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

2021	\$	296,346
2022		229,371
2023		163,231
2024		245,970
2025		-
Thereafter		-

**Actuarial Assumptions**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, 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 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

**Discount rate**

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

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	<b>1% Decrease (3.64%)</b>	<b>Current Discount Rate (4.64%)</b>	<b>1% Increase (5.64%)</b>
Proportionate Share of the Net Pension Liability	\$ 3,373,425	\$ 2,600,092	\$ 1,967,318

**Pension Plan Fiduciary Net Position**

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

**NOTE 7 OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At December 31, 2020 and 2019, the following net OPEB liabilities were reported:

	<b>Net OPEB Liability</b>
County - 2020	\$ 70,234
County - 2019	\$ 71,183

The net OPEB liability was measured as of June 30, 2020 and 2019 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020 and 2019, respectively, the entities had the following proportions, change in proportions, and OPEB expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2019 and 2018 Measurement</b>	<b>OPEB Expense</b>
County - 2020	0.083493%	-0.005133%	\$ 8,009
County - 2019	0.088626%	-0.021974%	\$ 7,956

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

At December 31, 2020 and 2019, the County and Health District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Primary Government - 2020</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,560	\$ (1,684)
Changes of Assumptions	9,417	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	2,415	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,119	(13,122)
Contributions - Employer	6,298	-
<b>Total Deferred Outflow and Inflow of Resources</b>	<b>\$ 20,809</b>	<b>\$ (14,806)</b>

<b>Primary Government - 2019</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,758	\$ (2,224)
Changes of Assumptions	8,484	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	79	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,426	(12,514)
Contributions - Employer	6,025	-
<b>Total Deferred Outflow and Inflow of Resources</b>	<b>\$ 17,772</b>	<b>\$ (14,738)</b>

\$6,298 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 OPEB liability in the year ended December 31, 2021 by the County.

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

2021	161
2022	785
2023	671
2024	(169)
2025	(1,388)
2026 and Thereafter	(355)
Thereafter	-

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment rate or return	6.50%, net of investment expenses
Cost of living adjustments	None

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

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2019 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
International Equities	21%	6.45%
Domestic Fixed Income	40%	1.15%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Proportionate Share of the OPEB Liability	\$ 92,114	\$ 70,234	\$ 51,732

**NOTE 8 RISK MANAGEMENT**

The County is exposed to various risks of loss related 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 joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability, two million for automobile, and \$3,185,107 for public assets/mobile equipment and portable property.

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period.

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

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 10: COMMITMENTS**

The County had open commitments as of December 31, 2020 as follows:

<b>2020 Projects</b>	<b>Original Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>	<b>Percent Complete</b>
Cornice Repairs	\$ 143,460	\$ 86,076	\$ 8,608	\$ 65,992	60.00%

**NOTE 10: SUBSEQUENT EVENTS**

The County had the following events occur after the year end of 2020:

On May 18, 2021 the county commissioners approved a construction contract totaling \$205,770 from Ashtech for the North Bordulac Road Project.

On May 7, 2023, the county commission approved the bid of \$2,559,225 for the McHenry Paving Project from Border States Paving.

On June 6, 2023 the County transitioned the Foster County Public Health District to a Health district outside of the county. The district will assume all NDPERS, Payroll, Insurance, and other items separately. Additionally, the county sold the public health building to the new health district.

In April 2024 the County authorized a contract for renovations for the basement of the County Courthouse with General Roofing and Construction in the amount of \$2,175,000.

On July 2, 2024, the County entered into a flexible transportation fund program agreement with NDDOT for project No. FXS-1602(067). The estimated cost of the project is \$5,112,500 with the flex fund award being up to \$4,090,000 having a local match of 20% up to \$1,022,500.

On October 2, 2024, the County made a \$325,727 payment for the total amount of the McHenry chip sealing contract of project CP-1602(024).

The Water Resource District had the following events occur after the year end of 2020:

On December 13, 2023, the Water District accepted the bid of \$678,241 for the Drain 1 project. The agreement took effect on January 1, 2024.

# FOSTER COUNTY

## Budgetary Comparison Schedule – General Fund For the Years Ended December 31, 2020 and 2019

	2020				2019			
	Original Budget	Amended Budget	Actual	Variance with Final Budget	Original Budget	Amended Budget	Actual	Variance with Final Budget
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ 1,090,986	\$ 1,090,986	\$ -	\$ -	\$ 941,644	\$ 941,644
Intergovernmental	-	-	583,766	583,766	-	-	561,987	561,987
Charges for Services	-	-	43,507	43,507	-	-	39,043	39,043
Licenses, Permits and Fees	-	-	10,245	10,245	-	-	2,666	2,666
Interest Income	-	-	44,966	44,966	-	-	100,011	100,011
Miscellaneous	-	-	21,535	21,535	-	-	13,360	13,360
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,795,005</b>	<b>\$ 1,795,005</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,658,711</b>	<b>\$ 1,658,711</b>
<b>EXPENDITURES</b>								
Current								
General Government	\$ 1,069,478	\$ 1,069,478	\$ 1,022,352	\$ 47,126	\$ 532,399	\$ 532,399	\$ 1,267,585	\$ (735,186)
Public Safety	414,394	414,394	362,588	51,806	30,214	30,214	380,490	(350,276)
Health and Welfare	-	-	-	-	-	-	-	-
Conservation of Natural Resources	13,453	13,453	12,756	697	-	-	7,075	(7,075)
Culture & Recreation	-	-	-	-	-	-	45,543	(45,543)
<b>Total Expenditures</b>	<b>\$ 1,497,325</b>	<b>\$ 1,497,325</b>	<b>\$ 1,397,696</b>	<b>\$ 99,629</b>	<b>\$ 562,613</b>	<b>\$ 562,613</b>	<b>\$ 1,700,693</b>	<b>\$ (1,138,080)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,497,325)	\$ (1,497,325)	\$ 397,309	\$ 1,894,634	\$ (562,613)	\$ (562,613)	\$ (41,982)	\$ 520,631
<b>Net Change in Fund Balance</b>	<b>\$ (1,497,325)</b>	<b>\$ (1,497,325)</b>	<b>\$ 397,309</b>	<b>\$ 1,894,634</b>	<b>\$ (562,613)</b>	<b>\$ (562,613)</b>	<b>\$ (41,982)</b>	<b>\$ 520,631</b>
Fund Balance - January 1	\$ 2,041,056	\$ 2,041,056	\$ 2,041,056	\$ -	\$ 2,083,038	\$ 2,083,038	\$ 2,083,038	\$ -
Fund Balance - December 31	\$ 543,731	\$ 543,731	\$ 2,438,365	\$ 1,894,634	\$ 1,520,425	\$ 1,520,425	\$ 2,041,056	\$ 520,631

The accompanying required supplementary information notes are an integral part of this schedule.

# FOSTER COUNTY

## Budgetary Comparison Schedule – Special Revenue Fund For the Years Ended December 31, 2020 and 2019

	2020				2019			
	Original Budget	Amended Budget	Actual	Variance with Final Budget	Original Budget	Amended Budget	Actual	Variance with Final Budget
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ 630,450	\$ 630,450	\$ -	\$ -	\$ 650,042	\$ 650,042
Intergovernmental	-	-	708,304	708,304	-	-	684,190	684,190
Charges for Services	-	-	428,044	428,044	-	-	398,985	398,985
Miscellaneous	-	-	10,964	10,964	-	-	14,278	14,278
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,777,762</b>	<b>\$ 1,777,762</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,747,495</b>	<b>\$ 1,747,495</b>
<b>EXPENDITURES</b>								
<b>Current</b>								
General Government	\$ -	\$ -	\$ 124,878	\$ (124,878)	\$ -	\$ -	\$ 47,066	\$ (47,066)
Public Safety	-	-	75,029	(75,029)	-	-	64,667	(64,667)
Highways	1,521,138	1,521,138	1,029,418	491,720	-	-	1,321,865	(1,321,865)
Health and Welfare	-	-	439,070	(439,070)	-	-	440,652	(440,652)
Conser. of Natural Resources	-	-	100,701	(100,701)	-	-	68,234	(68,234)
Emergency	-	-	400	(400)	-	-	9	(9)
<b>Debt Service</b>								
Principal	-	-	51,431	(51,431)	-	-	49,946	(49,946)
Interest	-	-	7,068	(7,068)	-	-	8,553	(8,553)
<b>Total Expenditures</b>	<b>\$ 1,521,138</b>	<b>\$ 1,521,138</b>	<b>\$ 1,827,995</b>	<b>\$ (306,857)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,000,992</b>	<b>\$ (2,000,992)</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$(1,521,138)</b>	<b>\$(1,521,138)</b>	<b>\$ (50,233)</b>	<b>\$ 1,470,905</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (253,497)</b>	<b>\$ (253,497)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Sale of Capital Assets	\$ -	\$ -	\$ 134,000	\$ 134,000	\$ -	\$ -	\$ -	\$ -
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 134,000</b>	<b>\$ 134,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$(1,521,138)</b>	<b>\$(1,521,138)</b>	<b>\$ 83,767</b>	<b>\$ 1,604,905</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (253,497)</b>	<b>\$ (253,497)</b>
Fund Balance - January 1	\$ 1,946,812	\$ 1,946,812	\$ 1,946,812	\$ -	\$ 2,200,309	\$ 2,200,309	\$ 2,200,309	\$ -
Fund Balance - December 31	<b>\$ 425,674</b>	<b>\$ 425,674</b>	<b>\$ 2,030,579</b>	<b>\$ 1,604,905</b>	<b>\$ 2,200,309</b>	<b>\$ 2,200,309</b>	<b>\$ 1,946,812</b>	<b>\$ (253,497)</b>

The accompanying required supplementary information notes are an integral part of this schedule.

**FOSTER COUNTY**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 For the Years Ended December 31, 2020 and 2019

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.082647%	\$ 2,600,092	\$ 911,694	285.19%	48.91%
2019	0.082201%	963,455	855,028	112.68%	71.66%
2018	0.117802%	1,988,037	1,210,204	164.27%	62.80%
2017	0.114180%	1,835,247	1,165,598	157.45%	61.98%
2016	0.102848%	1,002,354	1,036,466	96.71%	70.46%
2015	0.090879%	617,962	809,624	76.33%	77.15%
2014	0.179026%	3,021,259	1,050,477	287.61%	77.70%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 64,556	\$ 63,617	\$ 939	\$ 1,058,135	6.01%
2019	62,251	80,825	(18,574)	1,013,684	7.97%
2018	89,136	78,828	10,308	1,236,791	6.37%
2017	84,520	94,964	(10,444)	1,192,213	7.97%
2016	75,038	72,443	2,595	1,102,231	6.57%
2015	61,497	78,199	(16,702)	1,094,541	7.14%
2014	74,794	74,794	-	1,050,477	7.12%

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

**FOSTER COUNTY**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
 For the Years Ended December 31, 2020 and 2019

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.083493%	\$ 70,234	\$ 951,797	7.38%	63.38%
2019	0.088626%	71,183	988,943	7.20%	63.13%
2018	0.110600%	87,105	1,210,204	7.20%	61.89%
2017	0.107742%	85,548	1,165,598	7.34%	59.78%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 11,182	\$ 11,654	\$ (472)	\$ 1,058,135	1.10%
2019	11,501	13,074	(1,573)	1,013,684	1.29%
2018	14,195	12,621	1,574	1,236,791	1.02%
2017	13,549	15,205	(1,656)	1,192,213	1.28%

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

## **FOSTER COUNTY**

Notes to the Required Supplementary Information  
For the Years Ended December 31, 2020 and 2019

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### **NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgetary Information**

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

### **NOTE 2 LEGAL COMPLIANCE – BUDGETS**

#### **Budget Amendments**

The board of County commissioners did not amend the County budget for 2020 and 2019.

### **NOTE 3 CHANGES OF BENEFIT TERMS – PENSION AND OPEB**

#### **PENSION**

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

#### **OPEB**

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

### **NOTE 4 PENSION AND OPEB – CHANGES OF ASSUMPTIONS**

#### **Pension**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%

**CLIENT**

Notes to the Schedule of Expenditures of Federal Awards- Continued

- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**OPEB**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**NOTE 5 SCHEDULE OF PENSION LIABILITY AND CONTRIBUTIONS**

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

**NOTE 6 BUDGET TO ACTUAL RECONCILIATION**

Leases issued that are paid by the special revenue fund are not included in the budgetary comparison schedule expenditures, but are included in the statement of revenues, expenditures and changes in fund balance. The reconciliation is provided below:

	Statement of Revenues, Expenditures, and Changes in Fund Balance	Adjustment	Budget to Actual Schedule
Expenditures	\$ 1,996,898	\$ (168,903)	\$ 1,827,995
Lease Proceeds	168,903	(168,903)	-

**NOTE 7 EXPENDITURES IN EXCESS OF BUDGET**

During fiscal years 2020 and 2019, Foster County had the following fund expenditures in excess of budgeted amounts:

Fund	Budget	Actual	Excess
<b>2020</b>			
Special Revenue Fund	\$ 1,521,138	\$ 1,827,995	\$ 306,857
<b>2019</b>			
General Fund	562,613	1,700,693	1,138,080
Special Revenue Fund	-	2,000,992	2,000,992

STATE AUDITOR  
Joshua C. Gallion



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

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### Independent Auditor's Report

Board of County Commissioners  
Foster County  
Carrington, 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 Foster County as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Foster County's basic financial statements, and have issued our report thereon dated March 20, 2025.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Foster 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 Foster County's internal control. Accordingly, we do not express an opinion on the effectiveness of Foster County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2020-001 through 2020-005 we consider to be material weaknesses.

**FOSTER 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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Foster County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying *Schedule of Audit Findings* as item 2020-001.

**Foster County's Response to Findings**

Foster County's response to the findings identified in our audit is described in the accompanying *summary of auditor's results and findings*. Foster 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

Bismarck, North Dakota  
March 20, 2025

**FOSTER COUNTY**

Summary of Auditor's Results  
For the Years Ended December 31, 2020 and 2019

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**Financial Statements**

Type of Report Issued?

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

**Internal control over financial reporting**

Material weaknesses identified?	<u> X </u> Yes	<u> </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> X </u> Yes	<u> </u> None Noted

# FOSTER COUNTY

Schedule of Audit Findings

For the Years Ended December 31, 2020 and 2019

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## 2020-001 – COUNTY BUDGET – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

### Condition

Foster County did not prepare a budget in compliance with all attributes of N.D.C.C. §11-23-02 for 2019 or 2020 which are key components of the mill levy calculation that is determined by N.D.C.C §57-15-31(1).

### Criteria

N.D.C.C. §57-15-31(1) states, "The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

1. The available surplus consisting of the free and unencumbered cash balance;
2. Estimated revenues from sources other than direct property taxes;
3. The total estimated collections from tax levies for previous years;
4. Expenditures that must be made from bond sources;
5. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
6. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03."

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

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

### Cause

Foster County may not have been aware of the compliance requirements of N.D.C.C §11-23-02 and N.D.C.C §57-15-31(1).

**Effect**

The attributes identified in N.D.C.C. §11-23-02 are key components in the tax levy calculation in any budget year. Thus, Foster County may have improperly calculated the tax levies.

**Repeat Finding**

Yes.

**Recommendation**

We recommend that Foster County implement procedures to ensure its compliance with all aspects of N.D.C.C. §57-15-31(1) and N.D.C.C. §11-23-02.

**Foster County's Response**

We agree. Foster County implemented the budget forms suggested by the State Auditors for the 2023 calendar year and going forward.

**2020-002 – IMPROPER BANK RECONCILIATIONS– MATERIAL WEAKNESS**

**Condition**

During testing of the Foster County’s 2019 and 2020 cash accounts and bank reconciliations, numerous errors and unsupported amounts were noted. With the assistance of current County officials, the County and the Auditor were able to identify material audit adjustments for cash that were approved by management and are reflected in the financial statements. Overall, the total cash for 2019, including adjustments accumulated in prior audits, was decreased by a net amount of \$1,369,238. In addition to the cumulative adjustment for 2019, cash for 2020 was decreased by an additional \$4,215 giving a total cumulative cash adjustment at the end of 2020 at a net negative amount of \$1,373,453. At the end of 2019, the County’s daily cash sheet compared to its general ledger is short by \$25,434. In addition, there is an unreconciled net difference between the daily cash sheet and the bank statements in the amount of \$17,574. At the end of 2020, the County’s daily cash sheet compared to its general ledger is short by \$20,419. In addition, there is an unreconciled net difference between the daily cash sheet and the bank statements in the amount of \$2,677.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the bank reconciliations, management is responsible for the policies and procedures to ensure accurate and timely bank reconciliations.

**Cause**

Foster County was unable to provide support for all amounts on their initial bank reconciliations. In addition, the County was not recording all ACH type transactions in their accounting ledger on a timely basis as noted in Finding 2020-004.

**Effect**

There is an increased risk of material misstatement to Foster County’s financial statements whether due to error or fraud if bank reconciliations are not complete and accurate.

**Repeat Finding**

Yes.

**Recommendation**

We recommend Foster County review its current procedures and ensure that all bank reconciliations are accurately completed on a monthly basis.

**Foster County’s Response**

We Agree. Foster County currently prepares bank monthly reconciliations and has addressed the unsupported reconciling amounts as noted above and will currently be balanced at the end of the year as of December 31, 2024.

**2020-003 – AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition**

During the audit of Foster County, we proposed adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

**Criteria**

Foster County is responsible to ensure the financial statements are reliable, free of material misstatements, and in accordance with GAAP.

**Cause**

Foster County does not have sufficient procedures in place to ensure the financial statements are complete and accurate and in accordance with GAAP.

**Effect**

There is an increased risk of material misstatement to Foster County's financial statements even though the errors were corrected by management during the audit.

**Repeat Finding**

Yes.

**Recommendation**

We recommend Foster County review all adjusting entries to the financial statements to properly reflect the financial statements are in accordance with GAAP.

**Foster County's Response**

We Agree. Foster County will review the adjustments needed for presentation in the financial statements.

**2020-004 – PAYROLL LIABILITY ERRORS – MATERIAL WEAKNESS**

**Condition**

Foster County was not properly recording all payments made for payroll liabilities in the general ledger. This included but is not limited to payments to the IRS for federal withholding and FICA liabilities as well as payments to NDPERs for retirement and health insurance. Material audit adjustments were required to properly report cash, payroll expenses, and payroll liabilities for 2019 and 2020. These adjustments were approved by management and are reflected in the financial statements.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to payroll expenditures paid by the County, management is responsible for adequate internal controls surrounding the recording and reconciliation process.

**Cause**

Foster County did not have adequate procedures in place to ensure all ACH payments made during the year were recorded and reconciled in a timely manner.

**Effect**

There is an increased risk of material misstatement to Foster County's financial statements even though the errors were corrected by management during the audit. Additionally, IRS late fees and penalties may be imposed for late or inaccurate payments.

**Repeat Finding**

No.

**Recommendation**

We recommend Foster County update its procedures to ensure all ACH transactions for payroll are properly recorded and reconciled in a timely manner.

**Foster County's Response**

We Agree. Foster County has updated its procedures to ensure payroll liabilities and related transactions are properly reported and reconciled in a timely manner.

**2020-005 - LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS**

**Condition**

The Foster County Water Resource District and Foster County Weed Board have limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

**Criteria**

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the districts.

**Cause**

Management has chosen to allocate economic resources to other functions of the Foster County Water Resource District and Foster County Weed Board.

**Effect**

The lack of segregation of duties increases the risk of material misstatement to the Foster County Water Resource District's and Foster County Weed Board's financial condition, whether due to error or fraud.

**Repeat Finding**

Yes.

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

**Foster County's Water Resource District's Response**

We Agree. Foster County Water Resource District will segregate duties when it becomes feasible.

**Foster County's Weed Board's Response**

We Agree. Foster County Weed Board will segregate duties when it becomes feasible.



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
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