



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, 2018 and December 31, 2017

Client Code: PS16000



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Office of the
State Auditor

FOSTER COUNTY

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FOSTER COUNTY

County Officials

December 31, 2018 and 2017

COUNTY OFFICIALS

At December 31, 2018

Chairman	Pat Copenhaver
Vice Chairman	Alan Scanson
Commissioner	Becky Hagel
Commissioner	Davit Utke
Commissioner	Scott Beumer
County Auditor	Brad Solberrg
County Treasurer	Dianne Hertel
County Recorder	Lynlle Lyman Hoppe
Sheriff	Ian Mattice
State's Attorney	Paul Murphy

At December 31, 2017

Chairman	Pat Copenhaver
Vice Chairman	Alan Scanson
Commissioner	Becky Hagel
Commissioner	Davit Utke
Commissioner	Scott Beumer
County Auditor	Brad Solberrg
County Treasurer	Dianne Hertel
County Recorder	Lynlle Lyman Hoppe
Sheriff	Ian Mattice
State's Attorney	Paul Murphy

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INDEPENDENT AUDITOR'S REPORT

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, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, 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 2 to the financial statements, Foster County adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. 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, 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 6, 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 6, 2025

FOSTER COUNTY

Statement of Net Position

December 31, 2018

	Primary Government	Component Unit	Component Unit
	Governmental Activities	Water Resource District	Weed Board
ASSETS			
Cash and Investments	\$ 4,786,970	\$ 35,461	\$ 102,458
Intergovernmental Receivable	166,825	-	-
Accounts Receivable	6,965	-	-
Road Receivables	169,225	-	-
Due from County	-	3,982	858
Taxes Receivable	41,858	2,301	1,726
Prepaid Asset	-	-	56,328
Inventory	-	-	5,526
Other Assets	265		
Capital Assets			
Nondepreciable	70,185	-	-
Depreciable, Net	8,470,690	-	21,823
Total Assets	<u>\$ 13,712,983</u>	<u>\$ 41,744</u>	<u>\$ 188,719</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 911,214	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	<u>\$ 14,624,197</u>	<u>\$ 41,744</u>	<u>\$ 188,719</u>
LIABILITIES			
Accounts Payable	\$ 3,937	\$ -	\$ -
Salaries Payable	37,531	-	-
Grant Received in Advance	30,864	-	-
Retainage Payable	-	-	-
Interest Payable	7,460	-	-
Long-Term Liabilities			
Due Within One Year			
Compensated Absences Payable	5,042	-	-
Long Term Debt	131,587		
Due After One Year			
Compensated Absences Payable	45,380	-	-
Long Term Debt	319,778	-	-
Net Pension and OPEB Liability	2,075,142		
Total Liabilities	<u>\$ 2,656,721</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 186,483	\$ -	\$ -
Taxes Received in Advance	560,222	-	-
Total Liabilities and Deferred Inflows of Resources	<u>\$ 3,403,426</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net Investment in Capital Assets	\$ 8,089,509	\$ -	\$ 21,823
Restricted			
Debt Service	39,965	-	-
Public Safety	206,505	-	-
Highways	1,706,987	-	-
Culture and Recreation	10,058	-	-
Conservation of Natural Resources	-	41,744	166,896
Economic Development	40,324		
Emergencies	30,631	-	-
Unrestricted	1,096,792	-	-
Total Net Position	<u>\$ 11,220,771</u>	<u>\$ 41,744</u>	<u>\$ 188,719</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, 2018

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
Primary Government							
General Government	\$ 1,164,318	\$ 40,820	\$ -	\$ -	\$ (1,123,498)		
Public Safety	413,898	58,162	55,205	-	(300,531)		
Highways	1,061,445	216,256	479,622	-	(365,567)		
Health and Welfare	882,199	133,553	709,665	-	(38,981)		
Culture and Recreation	4,089	-	-	-	(4,089)		
Conservation of Natural Resources	49,898	-	14,547	-	(35,351)		
Economic Development	20,580	-	-	-	(20,580)		
Interest Expense on Long-Term Debt	18,067	-	-	-	(18,067)		
Total Primary Government	\$ 3,614,494	\$ 448,791	\$ 1,259,039	\$ -	\$ (1,906,664)		
Component Unit							
Water Resource District	\$ 134,068	\$ -	\$ 27,976	\$ -		\$ (106,092)	\$ -
Weed Board	128,775	57,190	-	-		-	(71,585)
General Revenues							
Property Taxes					\$ 1,733,898	\$ 96,023	\$ 73,742
Grants and Contributions Not Restricted to Specific Programs					446,012	-	-
Gain on Sale of Assets					14,250	-	-
Interest Revenue					40,689	7	-
Miscellaneous Revenue					19,273	-	9
Total General Revenues					\$ 2,254,122	\$ 96,030	\$ 73,751
Change in Net Position					\$ 347,458	\$ (10,062)	\$ 2,166
Net Position - January 1					\$ 10,873,313	\$ 51,806	\$ 186,553
Net Position - December 31					\$ 11,220,771	\$ 41,744	\$ 188,719

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

FOSTER COUNTY

Balance Sheet – Governmental Funds

December 31, 2018

	General	Special Revenue	Debt Service	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 2,287,515	\$ 2,420,811	\$ 78,644	\$ 4,786,970
Intergovernmental Receivable	119,884	46,941		166,825
Accounts Receivable	6,965	-	-	6,965
Road Receivables	-	169,225		169,225
Taxes Receivable	23,342	16,215	2,301	41,858
Other Assets	265	-	-	265
Total Assets	<u>\$ 2,437,971</u>	<u>\$ 2,653,192</u>	<u>\$ 80,945</u>	<u>\$ 5,172,108</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 262	\$ 3,675	\$ -	\$ 3,937
Salaries & Benefits Payable	21,405	16,126	-	37,531
Grants Received in Advance	-	30,864	-	30,864
Total Liabilities	<u>\$ 21,667</u>	<u>\$ 50,665</u>	<u>\$ -</u>	<u>\$ 72,332</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 23,342	\$ 16,215	\$ 2,301	\$ 41,858
Road Receivables	-	169,225	-	169,225
Taxes Received in Advance	309,924	216,778	33,520	560,222
Total Deferred Inflows of Resources	<u>\$ 333,266</u>	<u>\$ 402,218</u>	<u>\$ 35,821</u>	<u>\$ 771,305</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 354,933</u>	<u>\$ 452,883</u>	<u>\$ 35,821</u>	<u>\$ 843,637</u>
Fund Balances				
Restricted				
Debt Service	\$ -	\$ -	\$ 45,124	\$ 45,124
Public Safety	-	215,141	-	215,141
Highways	-	1,805,207	-	1,805,207
Health and Welfare	-	78,404	-	78,404
Culture and Recreation	-	10,058	-	10,058
Emergency	-	29,293	-	29,293
General Government	-	36,281	-	36,281
Economic Development	-	38,794	-	38,794
Unassigned				
General Fund	2,083,038	-	-	2,083,038
Negative Fund Balances	-	(12,869)	-	(12,869)
Total Fund Balances	<u>\$ 2,083,038</u>	<u>\$ 2,200,309</u>	<u>\$ 45,124</u>	<u>\$ 4,328,471</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,437,971</u>	<u>\$ 2,653,192</u>	<u>\$ 80,945</u>	<u>\$ 5,172,108</u>

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, 2018

Total Fund Balances for Governmental Funds	\$ 4,328,471
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	8,540,875
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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	41,858	
Road receivables	<u>169,225</u>	211,083

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	\$ 911,214	
Deferred inflows derived from pensions and OPEB	<u>(186,483)</u>	724,731

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	\$ (50,422)	
Interest Payable	(7,460)	
Long Term Debt	(451,365)	
Net pension and OPEB liability	<u>(2,075,142)</u>	<u>(2,584,389)</u>

Total Net Position of Governmental Activities	<u><u>\$ 11,220,771</u></u>
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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, 2018

	General	Special Revenue	Debt Service	Total Governmental Funds
REVENUES				
Taxes	\$ 1,010,966	\$ 620,282	\$ 95,116	\$ 1,726,364
Intergovernmental	480,169	1,224,521	363	1,705,053
Charges for Services	57,974	395,135	-	453,109
Licenses, Permits and Fees	3,081	-	-	3,081
Interest Income	40,689	-	-	40,689
Miscellaneous	12,782	6,491	-	19,273
Total Revenues	\$ 1,605,661	\$ 2,246,429	\$ 95,479	\$ 3,947,569
EXPENDITURES				
Current				
General Government	\$ 1,004,965	\$ 19,676	\$ -	\$ 1,024,641
Public Safety	324,126	72,658	-	396,784
Highways	-	781,014	-	781,014
Health and Welfare	-	800,031	-	800,031
Culture and Recreation	21,523	-	-	21,523
Conser. of Natural Resources	4,982	94,763	-	99,745
Emergency	-	18,905	-	18,905
Debt Service				
Principal	-	48,505	78,486	126,991
Interest & Service Charges	-	9,994	9,831	19,825
Total Expenditures	\$ 1,355,596	\$ 1,845,546	\$ 88,317	\$ 3,289,459
Excess (Deficiency) of Revenues Over Expenditures	\$ 250,065	\$ 400,883	\$ 7,162	\$ 658,110
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset	\$ -	\$ 21,000	\$ -	\$ 21,000
Transfers In	467,626	189,297	-	656,923
Transfers Out	(102,885)	(554,038)	-	(656,923)
Total Other Financing Sources and Uses	\$ 364,741	\$ (343,741)	\$ -	\$ 21,000
Net Change in Fund Balances	\$ 614,806	\$ 57,142	\$ 7,162	\$ 679,110
Fund Balance - January 1	\$ 1,468,232	\$ 2,143,167	\$ 37,962	\$ 3,649,361
Fund Balance - December 31	\$ 2,083,038	\$ 2,200,309	\$ 45,124	\$ 4,328,471

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, 2018

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 679,110
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	\$ 215,800	
Current Year Depreciation	<u>(428,521)</u>	(212,721)

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	\$ 14,250	
Proceeds from Sale of Capital Assets	<u>(21,000)</u>	(6,750)

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.

126,991

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	\$ 2,072	
Decrease in Interest Payable	<u>1,758</u>	3,830

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	7,534	
Decrease in Road Receivable	<u>(7,400)</u>	134

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	\$ (154,670)	
Decrease in Deferred Outflows of Resources	(73,699)	
Increase in Deferred Inflows of Resources	<u>(14,767)</u>	<u>(243,136)</u>

Change in <i>Net Position</i> of Governmental Activities	<u>\$ 347,458</u>
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The notes to the financial statements are an integral part of this statement.

FOSTER COUNTY

Statement of Net Position

December 31, 2017

	Primary Government	Component Unit	Component Unit
	Governmental Activities	Water Resource District	Weed Board
ASSETS			
Cash and Investments	\$ 4,158,300	\$ 48,452	\$ 100,418
Intergovernmental Receivable	160,343	-	-
Accounts Receivable	6,905	-	3,597
Road Receivables	176,625	-	-
Due from County	-	1,790	380
Taxes Receivable	34,324	1,564	1,135
Prepaid Asset	-	-	48,571
Inventory	-	-	6,401
Other Assets	265	-	-
Capital Assets			
Nondepreciable	1,613,093	-	-
Depreciable, Net	7,147,253	-	26,051
Total Assets	\$ 13,297,108	\$ 51,806	\$ 186,553
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 984,913	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	\$ 14,282,021	\$ 51,806	\$ 186,553
LIABILITIES			
Accounts Payable	\$ 12,151	\$ -	\$ -
Salaries Payable	52,320	-	-
Grant Received in Advance	30,864	-	-
Retainage Payable	59,544	-	-
Interest Payable	9,218	-	-
Long-Term Liabilities			
Due Within One Year			
Compensated Absences Payable	5,249	-	-
Long Term Debt	126,991	-	-
Due After One Year			
Compensated Absences Payable	47,245	-	-
Long Term Debt	451,365	-	-
Net Pension and OPEB Liability	1,920,472	-	-
Total Liabilities	\$ 2,715,419	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 171,716	\$ -	\$ -
Taxes Received in Advance	521,573	-	-
Total Liabilities and Deferred Inflows of Resources	\$ 3,408,708	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 8,122,446	\$ -	\$ 26,051
Restricted			
Debt Service	30,258	-	-
Public Safety	233,011	-	-
Highways	1,594,992	-	-
Health and Welfare	7,515	-	-
Culture and Recreation	10,058	-	-
Conservation of Natural Resources	-	51,806	160,502
Emergencies	1,407	-	-
Economic Development	39,823	-	-
Unrestricted	833,803	-	-
Total Net Position	\$ 10,873,313	\$ 51,806	\$ 186,553

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

FOSTER COUNTY

Statement of Activities

For the Year Ended December 31, 2017

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
Primary Government							
General Government	\$ 831,624	\$ 36,469	\$ 61,069	\$ -	\$ (734,086)		
Public Safety	408,814	65,468	181,429	-	(161,917)		
Highways	1,060,744	213,565	426,630	1,309,276	888,727		
Flood Repair	176,197	-	-	-	(176,197)		
Health and Welfare	833,183	196,857	204,228	-	(432,098)		
Culture and Recreation	3,824	-	-	-	(3,824)		
Conservation of Natural Resources	117,484	-	-	-	(117,484)		
Emergency	184,363	-	-	-	(184,363)		
Interest Expense on Long-Term Debt	17,800	-	-	-	(17,800)		
Total Primary Government	<u>\$ 3,634,033</u>	<u>\$ 512,359</u>	<u>\$ 873,356</u>	<u>\$ 1,309,276</u>	<u>\$ (939,042)</u>		
Component Unit							
Water Resource District	\$ 76,634	\$ -	\$ 25,515	\$ -		\$ (51,119)	\$ -
Weed Board	121,459	66,571	-	-		-	\$ (54,888)
General Revenues							
Property Taxes					\$ 2,059,282	\$ 73,923	\$ 70,976
Grants and Contributions Not Restricted to Specific Programs					402,390	-	-
Gain on Sale of Assets					15,246	-	-
Interest Revenue					14,718	5	-
Miscellaneous Revenue					120,009	20	-
Total General Revenues					<u>\$ 2,611,645</u>	<u>\$ 73,948</u>	<u>\$ 70,976</u>
Change in Net Position					<u>\$ 1,672,603</u>	<u>\$ 22,829</u>	<u>\$ 16,088</u>
Net Position - January 1					<u>\$ 9,286,258</u>	<u>\$ 28,977</u>	<u>\$ 170,465</u>
Prior Period Adjustment					<u>\$ (85,548)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position - January 1 as restated					<u>\$ 9,200,710</u>	<u>\$ 28,977</u>	<u>\$ 170,465</u>
Net Position - December 31					<u>\$ 10,873,313</u>	<u>\$ 51,806</u>	<u>\$ 186,553</u>

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

FOSTER COUNTY

Balance Sheet – Governmental Funds
December 31, 2017

	General	Special Revenue	Debt Service	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,675,794	\$ 2,415,061	\$ 67,445	\$ 4,158,300
Intergovernmental Receivable	117,224	43,119		160,343
Accounts Receivable	6,905	-	-	6,905
Road Receivables	-	176,625		176,625
Taxes Receivable	14,544	18,265	1,515	34,324
Other Assets	265	-	-	265
Total Assets	<u>\$ 1,814,732</u>	<u>\$ 2,653,070</u>	<u>\$ 68,960</u>	<u>\$ 4,536,762</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 232	\$ 11,919	\$ -	\$ 12,151
Retainage Payable	-	59,544	-	59,544
Salaries & Benefits Payable	24,707	27,613	-	52,320
Grants Received in Advance	-	30,864	-	30,864
Total Liabilities	<u>\$ 24,939</u>	<u>\$ 129,940</u>	<u>\$ -</u>	<u>\$ 154,879</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 14,544	\$ 18,265	\$ 1,515	\$ 34,324
Road Receivables	-	176,625	-	176,625
Taxes Received in Advance	307,017	185,073	29,483	521,573
Total Deferred Inflows of Resources	<u>\$ 321,561</u>	<u>\$ 379,963</u>	<u>\$ 30,998</u>	<u>\$ 732,522</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 346,500</u>	<u>\$ 509,903</u>	<u>\$ 30,998</u>	<u>\$ 887,401</u>
Fund Balances				
Restricted				
Debt Service	\$ -	\$ -	\$ 37,962	\$ 37,962
Public Safety	-	237,311	-	237,311
Highways	-	1,616,935	-	1,616,935
Health and Welfare	-	357,840	-	357,840
Culture and Recreation	-	10,058	-	10,058
Emergency	-	144	-	144
Economic Development	-	38,794	-	38,794
Unassigned				
General Fund	1,468,232	-	-	1,468,232
Negative Fund Balances	-	(117,915)	-	(117,915)
Total Fund Balances	<u>\$ 1,468,232</u>	<u>\$ 2,143,167</u>	<u>\$ 37,962</u>	<u>\$ 3,649,361</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,814,732</u>	<u>\$ 2,653,070</u>	<u>\$ 68,960</u>	<u>\$ 4,536,762</u>

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, 2017

Total Fund Balances for Governmental Funds	\$ 3,649,361
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	8,760,346
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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	34,324	
Road receivables	<u>176,625</u>	210,949

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	\$ 984,913	
Deferred inflows derived from pensions and OPEB	<u>(171,716)</u>	813,197

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	\$ (52,494)	
Interest Payable	(9,218)	
Long Term Debt	(578,356)	
Net pension and OPEB liability	<u>(1,920,472)</u>	<u>(2,560,540)</u>

Total Net Position of Governmental Activities	<u>\$ 10,873,313</u>
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The notes to the financial statements are an integral part of this statement.

FOSTER COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Total Governmental Funds
REVENUES				
Taxes	\$ 850,988	\$ 1,098,364	\$ 94,890	\$ 2,044,242
Intergovernmental	461,297	2,080,833	323	2,542,453
Charges for Services	38,627	580,375	-	619,002
Licenses, Permits and Fees	2,913	-	-	2,913
Interest Income	14,718	-	-	14,718
Miscellaneous	48,195	71,816	-	120,011
Total Revenues	\$ 1,416,738	\$ 3,831,388	\$ 95,213	\$ 5,343,339
EXPENDITURES				
Current				
General Government	\$ 855,323	\$ 230,457	\$ -	\$ 1,085,780
Public Safety	363,278	72,978	-	436,256
Highways	-	2,128,998	826	2,129,824
Flood Repair	-	176,197	-	176,197
Health and Welfare	-	777,694	-	777,694
Culture and Recreation	3,824	-	-	3,824
Conser. of Natural Resources	7,713	104,151	-	111,864
Emergency	-	182,687	-	182,687
Debt Service				
Principal	-	30,956	75,453	106,409
Interest & Service Charges	-	6,603	12,864	19,467
Total Expenditures	\$ 1,230,138	\$ 3,710,721	\$ 89,143	\$ 5,030,002
Excess (Deficiency) of Revenues Over Expenditures	\$ 186,600	\$ 120,667	\$ 6,070	\$ 313,337
OTHER FINANCING SOURCES (USES)				
Lease Financing	\$ -	\$ 129,000	\$ -	\$ 129,000
Transfers In	-	151,165	-	151,165
Transfers Out	(487)	(150,678)	-	(151,165)
Total Other Financing Sources and Uses	\$ (487)	\$ 129,487	\$ -	\$ 129,000
Net Change in Fund Balances	\$ 186,113	\$ 250,154	\$ 6,070	\$ 442,337
Fund Balance - January 1	\$ 1,282,119	\$ 1,924,905	\$ -	\$ 3,207,024
Fund Reclassification	\$ -	\$ (31,892)	\$ 31,892	\$ -
Fund Balance - January 1 as restated	\$ 1,282,119	\$ 1,893,013	\$ 31,892	\$ 3,207,024
Fund Balance - December 31	\$ 1,468,232	\$ 2,143,167	\$ 37,962	\$ 3,649,361

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, 2017

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 442,337
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	\$ 557,071	
Current Year Capital Contribution	1,309,276	
Current Year Depreciation	<u>(380,114)</u>	1,486,233

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		15,246
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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.

Lease Financing	\$ (129,000)	
Repayment of debt	<u>106,409</u>	(22,591)

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	\$ 10,674	
Decrease in Interest Payable	<u>1,667</u>	12,341

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	15,040	
Decrease in Road Receivable	<u>(109,556)</u>	(94,516)

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	\$ (832,570)	
Increase in Deferred Outflows of Resources	623,726	
Decrease in Deferred Inflows of Resources	<u>42,397</u>	(166,447)

Change in <i>Net Position</i> of Governmental Activities	<u>\$ 1,672,603</u>
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The notes to the financial statements are an integral part of this statement.

FOSTER COUNTYStatement of Fiduciary Assets and Liabilities – Agency Funds
December 31, 2018 and December 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 1,571,012</u>	<u>\$ 1,320,331</u>
LIABILITIES		
Due to Other Governments	<u>\$ 1,571,012</u>	<u>\$ 1,320,331</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, 2018 and 2017

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 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 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

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:

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

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

FOSTER COUNTY

Notes to the Financial Statements – Continued

capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Assets	Years
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 3rd 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

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.

NOTE 2 PRIOR PERIOD ADJUSTMENTS**Change in Accounting Principle – GASB 75 - OPEB:**

Net position as of January 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*.

Adjustments to beginning net position are as follows:

Beginning Net Position, as previously reported	\$ 8,130,959
Adjustment to restate the January 1, 2015 Net Position	
Net Pension Liability	(791,523)
Deferred Inflows - Pension Items	(154,508)
Deferred Outflows - Pension Items	76,799
Net Position January 1, as restated	<u>\$ 7,261,727</u>

Fund Reclassification

Fund Balance as of January 1, 2017 has been restated for the following fund reclassifications as shown below. The results of the fund reclassification increased the Debt Service Fund and decreased the Special Revenue Fund beginning balance.

Adjustments to the beginning Fund Balance are as follows:

	Special Revenue Fund	Debt Service Fund
Beginning Special Revenue Fund Balance, as previously reported	\$ 1,924,905	\$ -
Adjustment to restate the January 1, 2017 Fund Balance		
Fund Reclassification From Special Revenue to Debt Service	(31,892)	31,892
Fund Balance January 1, as restated	<u>\$ 1,893,013</u>	<u>\$ 31,892</u>

NOTE 3 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, 2018, the County's carrying amount of deposits totaled \$6,303,237, and the bank balances totaled \$6,360,626. Of the bank balances, \$4,417,518 was covered by Federal Depository Insurance. \$158,343 of the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name. \$1,784,764 was uncollateralized.

At year ended December 31, 2017, the County's carrying amount of deposits totaled \$5,433,025, and the bank balances totaled \$5,476,684. Of the deposits, a total of \$3,676,545 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, 2018, the Water Resource District's carrying amount of deposits totaled \$35,462, and the bank balances totaled \$39,402, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2017, the Water Resource District's carrying amount of deposits totaled \$48,453, and the bank balances totaled \$61,792, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2018, the Weed Board's carrying amount of deposits totaled \$102,458, and the bank balances totaled \$102,733, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2017, the Weed Board's carrying amount of deposits totaled \$100,417, and the bank balances totaled \$100,426, all of which were covered by Federal Depository Insurance.

NOTE 4 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.

FOSTER COUNTY

Notes to the Financial Statements – Continued

NOTE 5 CAPITAL ASSETS
Primary Government

The following is a summary of changes in capital assets for the years ended December 31, 2018 and 2017 respectively:

Primary Government - 2018	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	1,613,093	196,428	-	(1,739,336)	70,185
Total capital assets not being depreciated	\$ 1,613,093	\$ 196,428	\$ -	\$ (1,739,336)	\$ 70,185
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 410,955	\$ -	\$ (22,500)	\$ -	\$ 388,455
Equipment	1,546,305	19,371	-	-	1,565,676
Buildings	1,827,062	-	-	415,076	2,242,138
Infrastructure	5,583,808	-	-	1,324,260	6,908,068
Total capital assets, being depreciated	\$ 9,368,130	\$ 19,371	\$ (22,500)	\$ 1,739,336	\$ 11,104,337
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 255,614	\$ 23,785	\$ (15,750)	\$ -	\$ 263,649
Equipment	498,908	143,499	-	-	642,407
Buildings	867,993	36,498	-	-	904,491
Infrastructure	598,361	224,739	-	-	823,100
Total accumulated depreciation	\$ 2,220,876	\$ 428,521	\$ (15,750)	\$ -	\$ 2,633,647
Total capital assets being depreciated, net	\$ 7,147,254	\$ (409,150)	\$ (6,750)	\$ 1,739,336	\$ 8,470,690
Total capital assets, net	\$ 8,760,347	\$ (212,722)	\$ (6,750)	\$ -	\$ 8,540,875

Primary Government - 2017	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	1,501,254	1,622,412	-	(1,510,573)	1,613,093
Total capital assets not being depreciated	\$ 1,501,254	\$ 1,622,412	\$ -	\$ (1,510,573)	\$ 1,613,093
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 371,020	\$ 39,935	\$ -	\$ -	\$ 410,955
Equipment	1,503,819	295,000	(252,515)	-	1,546,304
Buildings	1,827,062	-	-	-	1,827,062
Infrastructure	4,073,234	-	-	1,510,573	5,583,807
Total capital assets, being depreciated	\$ 7,775,135	\$ 334,935	\$ (252,515)	\$ 1,510,573	\$ 9,368,128
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 228,919	\$ 26,695	\$ -	\$ -	\$ 255,614
Equipment	534,106	141,562	(176,761)	-	498,907
Buildings	836,733	31,260	-	-	867,993
Infrastructure	417,764	180,597	-	-	598,361
Total accumulated depreciation	\$ 2,017,522	\$ 380,114	\$ (176,761)	\$ -	\$ 2,220,875
Total capital assets being depreciated, net	\$ 5,757,613	\$ (45,179)	\$ (75,754)	\$ 1,510,573	\$ 7,147,253
Total capital assets, net	\$ 7,258,867	\$ 1,577,233	\$ (75,754)	\$ -	\$ 8,760,346

FOSTER COUNTY

Notes to the Financial Statements – Continued

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

	2018	2017
General Government	\$ 28,408	\$ 22,873
Public Safety	15,476	16,432
Highways	372,296	330,404
Health and Welfare	7,529	7,529
Culture and Recreation	1,937	-
Conservation of Natural Resources	1,200	1,200
Emergency Management	1,675	1,676
Total Depreciation Expense	\$ 428,521	\$ 380,114

Discretely Presented Component Unit

The following is a summary of changes in capital assets for the years ended December 31, 2018 and 2017 respectively for the Weed Board:

	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Weed Board - 2018					
<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	\$ 16,228	\$ 4,228	\$ -	\$ -	\$ 20,456
Total accumulated depreciation	\$ 16,228	\$ 4,228	\$ -	\$ -	\$ 20,456
Total capital assets being depreciated, net	\$ 26,051	\$ (4,228)	\$ -	\$ -	\$ 21,823
Total capital assets, net	\$ 26,051	\$ (4,228)	\$ -	\$ -	\$ 21,823

	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Weed Board - 2017					
<i>Capital assets, being depreciated</i>					
Total capital assets, being depreciated	\$ 24,000	\$ 18,279	\$ -	\$ -	\$ 42,279
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 12,000	\$ 4,228	\$ -	\$ -	\$ 16,228
Total capital assets, net	\$ 12,000	\$ 14,051	\$ -	\$ -	\$ 26,051

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

FOSTER COUNTY

Notes to the Financial Statements – Continued

NOTE 6 LONG-TERM LIABILITIES**Primary Government**

During the years ended December 31, 2018 and 2017 respectively, the following changes occurred in governmental activities long-term liabilities:

	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Primary Government - 2018					
Long Term Debt					
Capital Lease Payable	\$ 333,809	\$ -	\$ 48,505	\$ 285,304	\$ 49,946
Loans Payable	244,547	-	78,486	166,061	81,641
Total Long Term Debt	\$ 578,356	\$ -	\$ 126,991	\$ 451,365	\$ 131,587
Compensated Absences *	\$ 52,494	\$ -	\$ 2,072	\$ 50,422	\$ 5,042
Net Pension and OPEB Liability *	1,920,472	154,670	-	2,075,142	-
Total Long Term Liabilities	\$ 3,129,678	\$ 154,670	\$ 256,054	\$ 3,028,294	\$ 268,216

	Balance Jan 1 - Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
Primary Government - 2017					
Long Term Debt					
Capital Lease Payable	\$ 235,765	\$ 129,000	\$ 30,956	\$ 333,809	\$ 48,505
Loans Payable	320,000	-	75,453	244,547	78,486
Total Long Term Debt	\$ 555,765	\$ 129,000	\$ 106,409	\$ 578,356	\$ 126,991
Compensated Absences *	\$ 63,168	\$ -	\$ 10,674	\$ 52,494	\$ 5,249
Net Pension and OPEB Liability *	1,087,902	832,570	-	1,920,472	-
Total Long Term Liabilities	\$ 2,262,600	\$ 1,090,570	\$ 223,492	\$ 3,129,678	\$ 259,231

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

Primary Government				
Year Ending December 31	Capital Leases		Loans Payable	
	Principal	Interest	Principal	Interest
2019	49,946	8,553	81,641	6,676
2020	51,431	7,068	84,420	3,896
2021	52,960	5,539	-	-
2022	54,536	3,964	-	-
2023	56,159	1,317	-	-
2024-2028	20,272	669	-	-
Totals	\$ 285,304	\$ 27,110	\$ 166,061	\$ 10,572

NOTE 7 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 for 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.

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, 2018 and 2017, Foster County reported a liability of \$1,988,037 and \$1,835,247. The net pension liability was measured as of June 30, 2018 and 2017, 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, 2018 and 2017, the County's proportion was .117802 and .114180 percent, respectively, which was an increase of .003622 percent from its proportion measured as of June 30, 2017.

For the years ended December 31, 2018 and 2017, the County recognized pension expense of \$326,057 and \$271,905. At December 31, 2018 and 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government - 2018		
Differences Between Expected and Actual Experience	\$ 5,262	\$ 67,637
Changes in Assumptions	717,640	28,375
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	9,672
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	125,430	77,125
Contributions - Employer	44,302	-
Total Deferred Outflow and Inflow of Resources	\$ 892,634	\$ 182,809
Primary Government - 2017		
Differences Between Expected and Actual Experience	\$ 10,909	\$ 8,942
Changes in Assumptions	752,575	41,393
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	24,683	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	138,210	116,080
Contributions - Employer	42,107	-
Total Deferred Outflow and Inflow of Resources	\$ 968,484	\$ 166,415

\$43,302 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, 2019 by the County.

FOSTER COUNTY

Notes to the Financial Statements – Continued

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

2019	\$	202,705
2020		177,006
2021		182,578
2022		96,209
2023		7,025
Thereafter		-

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
	Service at Beginning of Year	Increase Rate
	0	15.00%
	1	10.00%
	2	8.00%
	Age	
	Under 30	10.00%
	30 - 39	7.50%
	40 - 49	6.75%
	50 - 59	6.50%
	60+	5.25+
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

FOSTER COUNTY

Notes to the Financial Statements – Continued

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.

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). The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Proportionate Share of the Net Pension Liability	\$ 2,701,373	\$ 1,988,037	\$ 1,392,782

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 8 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. 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

FOSTER COUNTY

Notes to the Financial Statements – Continued

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.

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. 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, 2018 and 2017, the following net OPEB liabilities were reported:

	Net OPEB Liability
County - 2018	\$ 87,105
County - 2017	\$ 85,225

The net OPEB liability was measured as of June 30, 2018 and 2017 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, 2018 and 2017, respectively, the entities had the following proportions, change in proportions, and OPEB expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2017 and 2016 Measurement	OPEB Expense
County - 2018	0.110600%	0.002858%	\$ 11,074
County - 2017	0.107742%	0.107742%	\$ -

FOSTER COUNTY

Notes to the Financial Statements – Continued

At December 31, 2018 and 2017, the County and Health District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Primary Government - 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,607	\$ (1,800)
Changes of Assumptions	7,147	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	(1,874)
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,733	-
Contributions - Employer	7,093	-
Total Deferred Outflow and Inflow of Resources	\$ 18,580	\$ (3,674)

Primary Government - 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (2,079)
Changes of Assumptions	8,255	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	(3,222)
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,432	-
Contributions - Employer	6,742	-
Total Deferred Outflow and Inflow of Resources	\$ 16,429	\$ (5,301)

\$7,093 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, 2019 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:

2019	1,038
2020	1,038
2021	1,038
2022	1,865
2023	1,714
2024	970
Thereafter	150

Actuarial assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, 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

FOSTER COUNTY

Notes to the Financial Statements – Continued

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 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.46%

Discount rate

The discount rate used to measure the total OPEB liability was 7.50%. 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 County'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, 2018, calculated using the discount rate of 7.50%, 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the OPEB Liability	\$ 110,209	\$ 87,105	\$ 67,299

FOSTER COUNTY

Notes to the Financial Statements – Continued

NOTE 9 TRANSFERS

Transfers are used to move unrestricted general revenue to finance programs that accounts for in other funds in accordance with budget authority and to subsidize other programs. Transfers were also made to close out funds and to finance various highway department activities.

2018	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 467,626	\$ 102,885
Special Revenue Fund	189,297	554,038
Total Transfers	\$ 656,923	\$ 656,923

2017	Transfers In	Transfers Out
Major Funds		
General Fund	\$ -	\$ 487
Special Revenue Fund	151,165	150,678
Total Transfers	\$ 151,165	\$ 151,165

NOTE 10 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, two million for automobile, and \$3,116,343 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. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$1,653,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 11: SUBSEQUENT EVENTS

The County had the following events occur after the year end of 2018:

On July 19, 2020, the county authorized a new capital lease with John Deere for a new motor grader with annual payments of \$27,625 over a 7-year period from 2020 to 2027. Total interest over the term of the lease is \$25,493.

From 2019 through 2020, the County incurred construction costs to replace the Miller Bridge in a contract with Swingen Construction at a cost of \$636,325. The construction cost was paid for with state funds.

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.

FOSTER COUNTYNotes to the Financial Statements – Continued

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 2018:

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, 2018 and 2017

	2018				2017			
	Original Budget	Amended Budget	Actual	Variance with Final Budget	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES								
Taxes	\$ -	\$ -	\$ 1,010,966	\$ 1,010,966	\$ 1,126,561	\$ 1,126,561	\$ 850,988	\$ (275,573)
Intergovernmental	-	-	480,169	480,169	644,400	644,400	461,297	(183,103)
Charges for Services	-	-	57,974	57,974	26,100	26,100	38,627	12,527
Licenses, Permits and Fees	-	-	3,081	3,081	4,190	4,190	2,913	(1,277)
Interest Income	-	-	40,689	40,689	16,000	16,000	14,718	(1,282)
Miscellaneous	-	-	12,782	12,782	10,700	10,700	48,195	37,495
Total Revenues	\$ -	\$ -	\$ 1,605,661	\$ 1,605,661	\$ 1,827,951	\$ 1,827,951	\$ 1,416,738	\$ (411,213)
EXPENDITURES								
Current								
General Government	\$ 1,095,831	\$ 1,095,831	\$ 1,004,965	\$ 90,866	\$ 1,341,493	\$ 1,341,493	\$ 855,323	\$ 486,170
Public Safety	431,761	431,761	324,126	107,635	440,158	440,158	363,278	76,880
Culture and Recreation	-	-	21,523	(21,523)	57,029	57,029	7,713	49,316
Conservation of Natural Resources	50,000	50,000	4,982	45,018	-	-	3,824	(3,824)
Total Expenditures	\$ 1,577,592	\$ 1,577,592	\$ 1,355,596	\$ 221,996	\$ 1,838,680	\$ 1,838,680	\$ 1,230,138	\$ 608,542
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,577,592)	\$ (1,577,592)	\$ 250,065	\$ 1,827,657	\$ (10,729)	\$ (10,729)	\$ 186,600	\$ 197,329
OTHER FINANCING SOURCES (USES)								
Transfers In	\$ -	\$ -	\$ 467,626	\$ 467,626	\$ 93,000	\$ 93,000	\$ -	\$ (93,000)
Transfers Out	-	-	(102,885)	(102,885)	(28,915)	(28,915)	(487)	28,428
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 364,741	\$ 364,741	\$ 64,085	\$ 64,085	\$ (487)	\$ (64,572)
Net Change in Fund Balance	\$ (1,577,592)	\$ (1,577,592)	\$ 614,806	\$ 2,192,398	\$ 53,356	\$ 53,356	\$ 186,113	\$ 132,757
Fund Balance - January 1	\$ 1,468,232	\$ 1,468,232	\$ 1,468,232	\$ -	\$ 1,282,119	\$ 1,282,119	\$ 1,282,119	\$ -
Fund Balance - December 31	\$ (109,360)	\$ (109,360)	\$ 2,083,038	\$ 2,192,398	\$ 1,335,475	\$ 1,335,475	\$ 1,468,232	\$ 132,757

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, 2018 and 2017

	2018				2017			
	Original Budget	Amended Budget	Actual	Variance with Final Budget	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES								
Taxes	\$ -	\$ -	\$ 620,282	\$ 620,282	\$ 1,078,647	\$ 1,078,647	\$ 1,098,364	\$ 19,717
Intergovernmental	-	-	1,224,521	1,224,521	3,515	3,515	2,080,833	2,077,318
Charges for Services	-	-	395,135	395,135	294,056	294,056	580,375	286,319
Miscellaneous	-	-	6,491	6,491	350	350	71,816	71,466
Total Revenues	\$ -	\$ -	\$ 2,246,429	\$ 2,246,429	\$ 1,376,568	\$ 1,376,568	\$ 3,831,388	\$ 2,454,820
EXPENDITURES								
Current								
General Government	\$ -	\$ -	\$ 19,676	\$ (19,676)	\$ 2,230	\$ 2,230	\$ 230,457	\$ (228,227)
Public Safety	-	-	72,658	(72,658)	-	-	72,978	(72,978)
Highways	1,110,508	1,110,508	781,014	329,494	278,037	278,037	2,128,998	(1,850,961)
Flood Repair	-	-	-	-	-	-	176,197	(176,197)
Health and Welfare	18,368	18,368	800,031	(781,663)	680,036	680,036	777,694	(97,658)
Conser. of Natural Resources	93,577	93,577	94,763	(1,186)	93,577	93,577	104,151	(10,574)
Emergency	-	-	18,905	(18,905)	132,247	132,247	182,687	(50,440)
Debt Service								
Principal	-	-	48,505	48,505	-	-	30,956	30,956
Interest	-	-	9,994	9,994	-	-	6,603	6,603
Total Expenditures	\$ 1,222,453	\$ 1,222,453	\$ 1,845,546	\$ (506,095)	\$ 1,186,127	\$ 1,186,127	\$ 3,710,721	\$ (2,449,476)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,222,453)	\$ (1,222,453)	\$ 400,883	\$ 1,623,336	\$ 190,441	\$ 190,441	\$ 120,667	\$ (69,774)
OTHER FINANCING SOURCES (USES)								
Sale of Capital Assets	\$ -	\$ -	\$ 21,000	\$ 21,000	\$ -	\$ -	\$ -	\$ -
Lease Financing	-	-	-	-	-	-	129,000	129,000
Transfers In	-	-	189,297	189,297	154,630	154,630	151,165	(3,465)
Transfers Out	(150,000)	(150,000)	(554,038)	(404,038)	(105,838)	(105,838)	(150,678)	(44,840)
Total Other Financing Sources and Uses	\$ (150,000)	\$ (150,000)	\$ (343,741)	\$ (193,741)	\$ 48,792	\$ 48,792	\$ 129,487	\$ 80,695
Net Change in Fund Balances	\$ (1,372,453)	\$ (1,372,453)	\$ 57,142	\$ 1,429,595	\$ 239,233	\$ 239,233	\$ 250,154	\$ 10,921
Fund Balance - January 1 Restated	\$ 2,143,167	\$ 2,143,167	\$ 2,143,167	\$ -	\$ 1,893,013	\$ 1,893,013	\$ 1,893,013	\$ -
Fund Balance - December 31	\$ 770,714	\$ 770,714	\$ 2,200,309	\$ 1,429,595	\$ 2,132,246	\$ 2,132,246	\$ 2,143,167	\$ 10,921

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

FOSTER COUNTYSchedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Years Ended December 31, 2018 and 2017**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
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
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, 2018 and 2017

**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
2018	0.110600%	\$ 87,105	\$ 1,210,204	7.20%	61.89%
2017	0.107742%	85,225	1,165,598	7.31%	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
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, 2018 and 2017

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 2018 and 2017.

NOTE 4 CHANGES OF ASSUMPTIONS

Pension & OPEB

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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 EXPENDITURES IN EXCESS OF BUDGET

During fiscal years 2018 and 2017, Foster County had the following fund expenditures in excess of budgeted amounts:

Fund	Budget	Actual	Excess
2017			
Special Revenue Fund Expenditures/Transfers	\$ 1,291,965	\$ 3,861,399	\$ 2,569,434
2018			
Special Revenue Fund Expenditures/Transfers	1,372,453	2,399,584	1,027,131
Total	\$ 2,664,418	\$ 6,260,983	\$ 3,596,565



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

Independent Auditor's Report

Board of County Commissioners
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, 2018 and 2017, 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 6, 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 2018-001 through 2018-007 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

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 items 2018-001, 2018-005, and 2018-006.

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 6, 2025

FOSTER COUNTY

Summary of Auditor's Results

For the Years Ended December 31, 2018 and 2017

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? X Yes None Noted

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

Noncompliance material to financial statements noted? X Yes None Noted

FOSTER COUNTY

Schedule of Audit Findings

For the Years Ended December 31, 2018 and 2017

2018-001 – 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 2017 or 2018 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).

FOSTER COUNTYSchedule of Audit Findings – Continued

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.

2018-002 – IMPROPER BANK RECONCILIATIONS– MATERIAL WEAKNESS

Condition

During testing of the Foster County's 2017 and 2018 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 2017, including adjustments accumulated in prior audits, was decreased by a net amount of \$1,359,900. In addition to the cumulative adjustment for 2017, cash for 2018 was increased by an additional \$7,355 giving a total cumulative cash adjustment at the end of 2018 at a net negative amount of \$1,352,545. The remaining unreconciled net differences at the end of 2017 and 2018 is a negative \$3,747 and a negative \$14,065 respectively.

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 2018-004.

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.

2018-003 – 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.

2018-004 – 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 2017 and 2018. 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.

2018-005 – LACK OF BOARD APPROVAL OF FUND TRANSFERS – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition

During 2017 and 2018, Foster County did not itemize in detail fund transfers that were approved by the board. Additionally, reasons for the fund transfers that were made during those years were not included in the meeting minutes of the board.

Criteria

N.D.C.C. §11-23-07 states in part, “The board shall place on its records a statement of all of such transfers, with the reasons therefor in detail, and shall report fully and specifically thereon in the published statements of its proceedings.

Cause

Foster County may not have been aware of the requirements of N.D.C.C. §11-23-07.

Effect

Without adequate approval of County transfers, Foster County is in noncompliance with North Dakota Century Code and could end up improperly spending money in the future, whether due to error or fraud.

Repeat Finding

No

Recommendation

We recommend that Foster County implement procedures to ensure its compliance with all aspects of N.D.C.C. §11-23-07.

Foster County's Response

We agree. Going forward Foster County will include all fund transfers in the board meeting minutes along with the reasons for the transfers.

2018-006 – LACK OF BANK PLEDGING – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition

At December 31, 2018 Foster County was under pledged at one of its financial institutions in the amount of \$1,784,764.

Criteria

N.D.C.C. §11-23-07 states in part, “The board shall place on its records a statement of all of such transfers, with the reasons therefor in detail, and shall report fully and specifically thereon in the published statements of its proceedings.

Cause

Foster County did not have a process to ensure the entity is adequately pledged.

Effect

Foster County is not in compliance with N.D.C.C. §21-04-09.

Repeat Finding

No

Recommendation

We recommend that Foster County ensure that it maintains adequate pledges of securities at any bank where the bank balances could exceed FDIC Insurance.

Foster County’s Response

We Agree. Foster County will make sure that we maintain the proper level of pledged assets.

2018-007 - 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
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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