

Foster County
Carrington, North Dakota

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For the Year Ended December 31, 2012

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FOSTER COUNTY
Carrington, North Dakota

COUNTY OFFICIALS

James Carr	Commission Chairman
Leslie Greger	Commissioner
Paul Straley	Commissioner
Roger R. Schlotman	Auditor
Noreen Barton	Treasurer
Tamara Becker	Clerk of Court
Lynell Lyman-Hoppe	Recorder
Michael Tufte	Sheriff
Paul Murphy	States Attorney

Rath & Mehrer

Certified Public Accountants

Specializing in Governmental Auditing

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Jayson Rath, CPA
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425 North Fifth Street
Bismarck, ND 58501

INDEPENDENT AUDITOR'S REPORT

Governing Board
Foster County
Carrington, North Dakota

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Foster County, Carrington, North Dakota, as of and for the year ended December 31, 2012, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Foster County, Carrington, North Dakota, as of December 31, 2012, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2013 on our consideration of the county's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgeting comparison information on pages 4 through 9 and 28 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedule of fund activity arising from cash transactions is presented for additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rath and Mehrer

Rath and Mehrer, P.C.

March 1, 2013

FOSTER COUNTY

Management's Discussion and Analysis

December 31, 2012

The Management's Discussion and Analysis (MD&A) of Foster County's financial performance provides an overall review of the county's financial activities for the fiscal year ended December 31, 2012. The intent of the MD&A is to look at the county's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2012 are as follows:

- * Net assets of the county decreased \$57,421 as a result of the current year's operations.
- * Governmental net assets as of the end of the fiscal year totaled \$4,138,715.
- * Total revenues from all sources were \$3,757,033.
- * Total expenses were \$3,814,453.
- * The county's general fund had \$953,154 in total revenues and \$728,625 in total expenditures. There was a total of \$224,529 paid from other financing uses. Overall, there was no change in the general fund balance for the year ended December 31, 2012.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the county as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole county, presenting both an aggregate view of the county's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the county's general fund, farm to market road fund, county road and bridge fund, highway tax distribution fund, social services fund and FEMA 2011 fund with all other governmental funds presented in total in one column.

REPORTING ON THE COUNTY AS A WHOLE

Statement of Net Assets and Statement of Activities

These statements are summaries of all the funds used by the county to provide programs and activities and attempt to answer the question "How did the county do financially during the year ended December 31, 2012?"

The Statement of Net Assets presents information on all the county's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The Statement of Activities presents information on how the county's net assets changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused sick leave and/or vacation leave).

These two statements report the county's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the county as a whole, the financial position of the county has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Assets and the Statement of Activities, the county reports governmental activities. Governmental activities are the activities where most of the county's programs and services are reported including, but not limited to, general government, public safety, highways and public improvement, health and welfare, culture and recreation, and conservation and economic development.

REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

The county uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the county to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the county's major funds. Using the criteria established by GASB Statement No. 34, the county's general fund, farm to market road fund, county road and bridge fund, highway tax distribution fund, social services fund and FEMA 2011 fund are considered "major funds".

The county's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table I provides a summary of the county's net assets as of December 31, 2012. A comparative analysis of county-wide data is presented for both current and prior year.

As indicated in the financial highlights above, the county's net assets decreased by \$57,421 for the year ended December 31, 2012. Changes in net assets may serve over time as a useful indicator of the county's financial position.

The county's net assets of \$4,138,715 are segregated into three separate categories. Net assets invested in capital assets (net of related debt) represents 25% of the county's total net assets. It should be noted that these assets are not available for future spending. Restricted net assets represent 70% of the county's net assets. Restricted net assets represent resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net assets represent 5% of the county's net assets. The unrestricted net assets are available to meet the county's ongoing obligations.

Table I
Net Assets
As of December 31, 2012
(With comparative totals for December 31, 2011)

	2012	2011
<u>Assets</u>		
Current Assets	3,127,234	3,172,480
Capital Assets (net of accumulated depreciation)	1,231,493	1,280,386
Total Assets	4,358,727	4,452,866
<u>Liabilities</u>		
Current Liabilities	54,174	52,865
Long-Term Liabilities	165,838	203,865
Total Liabilities	220,012	256,730
<u>Net Assets</u>		
Invested in Capital Assets (net of related debt)	1,053,747	1,053,299
Restricted	2,880,274	2,917,497
Unrestricted	204,695	225,340
Total Net Assets	4,138,715	4,196,136
	=====	=====

Table II shows the changes in net assets for the fiscal year ended December 31, 2012. A comparative analysis of county-wide data is presented for both current and prior year.

Table II
 Changes in Net Assets
 As of December 31, 2012
 (With comparative totals for December 31, 2011)

	<u>2012</u>	<u>2011</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	390,463	449,462
Operating Grants and Contributions	1,098,753	1,334,798
<u>General Revenues:</u>		
Property Taxes	1,523,005	1,446,487
Other Taxes	31,448	48,841
Federal Aid - Unrestricted	432	403
State Aid - Unrestricted	486,777	359,873
Interest Earnings and Other Revenue	226,155	297,929
Gain on Trade-In of Capital Assets		12,498
 Total Revenues	 <u>3,757,033</u>	 <u>3,950,291</u>
 Expenses		
General Government	836,830	729,757
Public Safety	379,636	261,153
Highways and Public Improve.	1,685,825	1,012,476
Health and Welfare	643,871	641,427
Culture and Recreation	13,282	29,747
Conser. and Economic Dvlpmnt.	182,244	205,234
Other	64,250	162,363
Interest on Long-Term Debt	8,515	2,009
 Total Expenses	 <u>3,814,453</u>	 <u>3,044,167</u>
 Net Change in Assets	 <u>(57,421)</u>	 <u>906,124</u>
	=====	=====

Property taxes constituted 41%, unrestricted state aid 13%, operating grants and contributions 29%, and charges for services made up 10% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2012.

General government constituted 22%, public safety 10%, highways and public improvements 44%, and health and welfare 17% of total expenses for governmental activities during the fiscal year ended December 31, 2012.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III
Total and Net Cost of Services
As of December 31, 2012

	Total Cost Year Ended <u>Dec. 31, 2012</u>	Net Cost Year Ended <u>Dec. 31, 2012</u>
General Government	836,830	795,791
Public Safety	379,636	196,186
Highways and Public Improvement	1,685,825	674,457
Health and Welfare	643,871	455,559
Culture and Recreation	13,282	13,032
Conservation and Economic Dvlpmnt.	182,244	128,572
Other	64,250	53,125
Interest on Long-Term Debt	8,515	8,515
 Total Expenses	 <u>3,814,453</u> =====	 <u>2,325,238</u> =====

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the county's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the county's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The county's governmental funds had total revenue of \$3,762,428 and expenditures of \$3,802,278 for the year ended December 31, 2012. As of December 31, 2012, the unassigned fund balance of the county's general fund was \$275,000 and total unassigned fund balances for all the county's governmental funds was \$240,500.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2012, the county did not amend the general fund budget.

Actual revenue for the year ended December 31, 2012 was \$92,557 more than budgeted. Actual expenditures for the year ended December 31, 2012 were under budget by \$90,914.

CAPITAL ASSETS

As of December 31, 2012, the county had \$1,231,493 invested in capital assets. Table IV shows the balances as of December 31, 2012.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2012
(With comparative totals for December 31, 2011)

	<u>2012</u>	<u>2011</u>
Buildings	504,788	521,374
Machinery and Vehicles	726,705	759,012
 Total (net of depreciation)	 <u>1,231,493</u> =====	 <u>1,280,386</u> =====

This total represents a decrease of \$48,893 in capital assets from January 1, 2012. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 7 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2012, the county had \$217,125 in outstanding debt of which \$51,287 was due within one year.

During fiscal year 2012, the county issued no new long-term debt obligations.

For a detailed breakdown of the long-term debt, readers are referred to Note 11 to the audited financial statements which follow this analysis.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the county's finances and to show the county's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Roger Schlotman, County Auditor, Foster County, Carrington, ND 58421.

FOSTER COUNTY
Carrington, North Dakota

Statement of Net Assets
December 31, 2012

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
<u>ASSETS:</u>		
Cash and Investments	2,920,488.81	13,001.21
Accounts Receivable	190,786.31	
Taxes Receivable	15,959.30	241.38
Due from County Treasurer		1,925.35
Capital Assets (net of accumulated depreciation):		
Buildings	504,788.00	
Machinery and Vehicles	726,705.00	
Total Capital Assets	1,231,493.00	
Total Assets	4,358,727.42	15,167.94
<u>LIABILITIES:</u>		
Interest Payable	2,886.83	
Long-Term Liabilities:		
Due Within One Year:		
Capital Leases Payable	51,287.37	
Due After One Year:		
Capital Leases Payable	126,458.65	
Compensated Absences Payable	39,379.35	
Total Liabilities	220,012.20	
<u>NET ASSETS:</u>		
Invested in Capital Assets, Net of Related Debt	1,053,746.98	
Restricted for:		
Special Purposes	2,880,273.74	
Unrestricted	204,694.50	15,167.94
Total Net Assets	4,138,715.22	15,167.94

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

FOSTER COUNTY
Carrington, North Dakota

Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
				Primary Gov't	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District
Functions/Programs					
Primary Government:					
Governmental Activities:					
General Government	836,830.08	40,431.41	608.08	(795,790.59)	
Public Safety	379,636.00	70,969.17	112,481.12	(196,185.71)	
Highways and Public Improve.	1,685,824.86	216,802.48	794,565.23	(674,457.15)	
Health and Welfare	643,870.52	8,338.12	179,973.19	(455,559.21)	
Culture and Recreation	13,282.27	250.00		(13,032.27)	
Conser. and Economic Dvlpmnt.	182,243.91	53,671.51		(128,572.40)	
Other	64,250.38		11,124.92	(53,125.46)	
Interest on Long-Term Debt	8,515.38			(8,515.38)	
Total Governmental Activities	3,814,453.40	390,462.69	1,098,752.54	(2,325,238.17)	

Component Unit:					
Water Resource District	32,061.20				(32,061.20)

General Revenues:					
Taxes:					
Property taxes; levied for general purposes			351,273.72		30,805.56
Property taxes; levied for special purposes			1,171,731.64		
Financial institution taxes			19,211.51		
Telecommunication taxes			7,644.89		
Homestead tax credit			3,088.19		
Disabled veterans tax credit			1,503.14		
Federal aid not restricted to specific program:					
Payments in lieu of taxes			432.29		
State aid not restricted to specific program:					
State aid distribution			485,627.83		
Payments in lieu of taxes			1,148.84		
Earnings on investments and other revenue			226,155.46		3.58
Total General Revenues			2,267,817.51		30,809.14
Change in Net Assets			(57,420.66)		(1,252.06)
Net Assets - January 1			4,196,135.88		16,420.00
Net Assets - December 31			4,138,715.22		15,167.94

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

FOSTER COUNTY
Carrington, North Dakota

Balance Sheet
Governmental Funds
December 31, 2012

Major Funds

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Social Services	FEMA 2011	Other Governmental Funds	Total Governmental Funds
ASSETS:								
Cash and Investments	240,500.47	630,571.79	303,794.08	616,356.86	37,668.18	199,382.13	892,215.30	2,920,488.81
Accounts Receivable			190,786.31					190,786.31
Taxes Receivable	3,573.38	3,107.30	346.92				8,931.70	15,959.30
Interfund Receivables	34,499.53							34,499.53
Total Assets	278,573.38	633,679.09	494,927.31	616,356.86	37,668.18	199,382.13	901,147.00	3,161,733.95
LIABILITIES AND FUND BALANCES								
Liabilities:								
Deferred Revenue	3,573.38	3,107.30	346.92				8,931.70	15,959.30
Interfund Payables							34,499.53	34,499.53
Total Liabilities	3,573.38	3,107.30	346.92				43,431.23	50,458.83
Fund Balances:								
Restricted for:								
General Government							107,642.46	107,642.46
Public Safety							237,636.05	237,636.05
Highways and Public Improve.		630,571.79	494,580.39	616,356.86		199,382.13	232,352.09	2,173,243.26
Health and Welfare					37,668.18		48,170.23	85,838.41
Culture and Recreation							45,741.87	45,741.87
Conser. and Econ. Dvlpmnt.							165,919.86	165,919.86
Other Special Purposes							54,752.74	54,752.74
Unassigned	275,000.00						(34,499.53)	240,500.47
Total Fund Balances	275,000.00	630,571.79	494,580.39	616,356.86	37,668.18	199,382.13	857,715.77	3,111,275.12
Total Liabilities and Fund Balances	278,573.38	633,679.09	494,927.31	616,356.86	37,668.18	199,382.13	901,147.00	3,161,733.95

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

FOSTER COUNTY
Carrington, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
For the Year Ended December 31, 2012

Total Fund Balances for Governmental Funds		3,111,275.12
<p>Total net assets reported for government activities in the statement of net assets is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	2,687,711.00	
Less Accumulated Depreciation	(1,456,218.00)	
Net Capital Assets	1,231,493.00	1,231,493.00
<p>Property taxes 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 revenue in the funds.</p>		
		15,959.30
<p>Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net assets. Balances at December 31, 2012 are:</p>		
Interest Payable	(2,886.83)	
Capital Leases Payable	(177,746.02)	
Compensated Absences Payable	(39,379.35)	
Total Long-Term Liabilities	(220,012.20)	(220,012.20)
Total Net Assets of Governmental Activities		4,138,715.22

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

FOSTER COUNTY
Carrington, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

Major Funds

	General	Farm to Market Road	County Road and Bridge	Highway Tax Distribution	Social Services	FEMA 2011	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>								
Taxes	362,821.72	308,361.00	34,105.36				849,968.56	1,555,256.64
Licenses, Permits and Fees	9,706.10				140.00		64,371.44	74,217.54
Intergovernmental	487,424.31	1,240.00	137.02	626,240.88	90,403.05	168,324.35	216,783.22	1,590,552.83
Charges for Services	36,555.95	15,463.00	201,339.48				61,034.60	314,393.03
Fines and Forfeits	1,852.12							1,852.12
Miscellaneous	54,793.86		74,671.65		5,134.63		91,555.32	226,155.46
Total Revenues	953,154.06	325,064.00	310,253.51	626,240.88	95,677.68	168,324.35	1,283,713.14	3,762,427.62
<u>Expenditures:</u>								
Current:								
General Government	479,759.28						331,741.47	811,500.75
Public Safety	196,999.90						176,300.10	373,300.00
Highways and Public Improve.	3,439.89	391,186.06	254,484.47	336,085.21		451,717.03	131,088.20	1,568,000.86
Health and Welfare					411,300.74		230,699.78	642,000.52
Culture and Recreation							13,282.27	13,282.27
Conser. and Economic Dvlpmnt.	48,425.67						127,924.24	176,349.91
Other							64,250.38	64,250.38
Capital Outlay		40,000.00					55,100.00	95,100.00
Debt Service:								
Principal			14,507.04				34,834.42	49,341.46
Interest			4,176.44				4,975.39	9,151.83
Total Expenditures	728,624.74	431,186.06	273,167.95	336,085.21	411,300.74	451,717.03	1,170,196.25	3,802,277.98
Excess (Deficiency) of Revenues Over Expenditures	224,529.32	(106,122.06)	37,085.56	290,155.67	(315,623.06)	(283,392.68)	113,516.89	(39,850.36)

<u>Other Financing Sources (Uses):</u>								
Transfers In		58,500.00	76,201.19	300,000.00		224,529.32	659,230.51	
Transfers Out	(224,529.32)					(434,701.19)	(659,230.51)	
<hr/>								
Total Other Financing Sources (Uses)	(224,529.32)	58,500.00	76,201.19	300,000.00		(210,171.87)		
<hr/>								
Net Change in Fund Balances	(106,122.06)	95,585.56	366,356.86	(15,623.06)	(283,392.68)	(96,654.98)	(39,850.36)	
<hr/>								
Fund Balance - January 1	275,000.00	736,693.85	398,994.83	250,000.00	53,291.24	482,774.81	954,370.75	3,151,125.48
<hr/>								
Fund Balance - December 31	275,000.00	630,571.79	494,580.39	616,356.86	37,668.18	199,382.13	857,715.77	3,111,275.12
<hr/> <hr/>								

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

FOSTER COUNTY
Carrington, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2012

Net Change in Fund Balances - Total Governmental Funds (39,850.36)

The change in net assets reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	95,100.00	
Current Year Depreciation Expense	(143,993.00)	(48,893.00)

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, 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 assets. This is the amount by which repayment of debt exceeded debt proceeds.

Debt Proceeds	0.00	
Repayment of Debt	49,341.46	49,341.46

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

Net Decrease in Interest Payable	636.45	
Net Increase in Compensated Absences Payable	(13,260.33)	(12,623.88)

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.

Net Decrease in Taxes Receivable		(5,394.88)
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Change in Net Assets of Governmental Activities		(57,420.66)
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The accompanying notes are an integral part of these financial statements.

FOSTER COUNTY
Carrington, North Dakota

Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2012

	Agency Funds
<u>Assets:</u>	
Cash and Investments	1,182,895.84
<u>Liabilities:</u>	
Due to Other Governments	1,182,895.84
<u>Net Assets:</u>	
Net Assets	0.00
	=====

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

FOSTER COUNTY
Carrington, North Dakota

Notes to the Financial Statements
December 31, 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Foster County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the county. The county has considered all potential component units for which the county is financially accountable and other organizations for which the nature and significance of their relationships with the county are such that exclusion would cause the county's financial statements to be misleading or incomplete. The Government 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 Foster County.

Based on these criteria, the component unit discussed below is included within the county's reporting entity because of the significance of its operational or financial relationship with the county.

Discretely Presented Component Unit: The component unit's column in the basic financial statements include the financial data of the county's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the county.

Foster County Water Resource District: The Foster County Water Resource District's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the water resource district budget. The water resource district has the authority to issue its own debt.

The financial statements of the discretely presented component unit are presented in the basic financial statements. Additional information may be obtained from the Foster County Auditor; 1000 North Central Avenue; Carrington, ND 58421.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities display information about the primary government, Foster County and its component unit. 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 nonexchange 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 program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The county reports the following major governmental funds:

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

Farm to Market Road. This fund accounts for a special levy used for the maintenance and repair of federal aid farm to market roads within the county.

County Road and Bridge. This fund is the county's primary road maintenance fund. It accounts for a special levy and all financial resources related to highway maintenance and repair, except those required to be accounted for in another fund.

Highway Tax Distribution. This fund accounts for the highway tax distribution from the State of North Dakota to be used for the maintenance and repair of roads within the county.

Social Services. This is the county's primary health and welfare fund. It accounts for state and federal grants and all financial resources related to health and welfare, except those required to be accounted for in another fund.

FEMA 2011. This fund accounts for federal funding for the purpose of road and bridge repairs within the county.

The county reports the following fund type:

Agency Funds. These funds account for assets held by the county in a custodial capacity as an agent on behalf of others. The county's agency funds are used to account for various deposits of other governments.

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

Government-wide and Fiduciary Fund Financial Statements: The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These 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. Nonexchange 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-reimbursements 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.

All governmental funds of the county follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings	50 to 100 years
Machinery and Vehicles	10 years

F. Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net assets. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the county.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

H. Fund Equity

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

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

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

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

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

Assigned - Fund balances are reported as assigned when amounts are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed.

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

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

- * Committed
- * Assigned
- * Unassigned

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the county has not spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted as described in the fund balance section above. All other net assets are reported as unrestricted.

I. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2012 the county's carrying amount of deposits was \$4,102,614 and the bank balance was \$4,192,511. Of the bank balance, \$975,000 was covered by Federal Depository Insurance. The remaining balance of \$3,217,511 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At December 31, 2012 the county held certificates of deposit in the amount of \$2,275,000, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due the county at December 31. No allowance has been established for estimated uncollectible accounts receivable.

Note 4 TAXES RECEIVABLE

Taxes receivable represent the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

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

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

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

Note 5 DUE FROM COUNTY TREASURER

The amount due from county treasurer consists of the cash on hand for taxes collected but not remitted to the Water Resource District.

Note 6 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by negative cash balances in various funds. The amounts shown as interfund payables represent the amounts of negative cash in the funds. Interfund receivables/payables for the year ended December 31, 2012 are as follows:

	<u>Receivable</u> <u>Fund</u>	<u>Payable</u> <u>Fund</u>
General Fund	34,499.53	
County Health District		2,378.76
PSIC Grant		646.30
Health Insurance		20,763.32
W.I.C.		893.35
Tobacco Grant		9,276.67
County Agent		452.37
Cemetery		88.76

Note 7 CAPITAL ASSETS

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

	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>December 31</u>
Governmental Activities:				
Capital assets being depreciated:				
Buildings	1,236,886			1,236,886
Machinery and Vehicles	1,355,725	95,100		1,450,825
Total	<u>2,592,611</u>	<u>95,100</u>		<u>2,687,711</u>
Less accumulated depreciation for:				
Buildings	715,512	16,586		732,098
Machinery and Vehicles	596,713	127,407		724,120
Total	<u>1,312,225</u>	<u>143,993</u>		<u>1,456,218</u>
Governmental Activities Capital Assets, Net	<u>1,280,386</u>	<u>(48,893)</u>	<u>-0-</u>	<u>1,231,493</u>
	=====	=====	=====	=====

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

General Government	12,069
Public Safety	6,336
Highways and Public Improve.	117,824
Health and Welfare	1,870
Conser. and Economic Dvlpmnt.	5,894
Total Depreciation Expense	<u>143,993</u>
	=====

Note 8 DEFERRED REVENUE

Deferred revenue on the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available:

Note 9 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to December 31, 2012.

Note 10 CAPITAL LEASES PAYABLE

The county has entered into the following lease agreements;

\$88,505.00 lease-purchase of a John Deere Motor Grader; due in annual installments of \$19,892.90 through February 26, 2015; payments include interest at 3.95%.	55,182.11
\$190,865.00 lease-purchase of a John Deere Motor Grader; due in annual installments of \$19,916.91 through October 10, 2015; payments include interest at 2.75%.	56,570.95
\$80,500.00 lease-purchase of a John Deere Motor Grader; due in annual installments of \$18,683.48 through December 15, 2016; payments include interest at 5.05%.	65,992.96
Total	<u>177,746.02</u> =====

These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under these capital leases, and the net present value of the minimum lease payments at December 31, 2012;

<u>Year Ending December 31</u>	<u>Payments</u>
2013	58,493.29
2014	58,493.29
2015	58,493.29
2016	18,683.48
Total minimum lease payments	<u>194,163.35</u>
Less: amount representing interest	(16,417.33)
Present value of future minimum lease payments	<u>177,746.02</u> =====

Note 11 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2012, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Capital Leases	227,087		49,341	177,746	51,287
Compensated Absences *	26,119	13,260		39,379	
Total	<u>253,206</u>	<u>13,260</u>	<u>49,341</u>	<u>217,125</u>	<u>51,287</u>
	=====	=====	=====	=====	=====

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Note 12 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
County Road and Bridge	58,500.00	
Highway Tax Distribution	76,201.19	
Machinery Repair & Repl.		32,691.54
County Shop		102,009.65
To reverse transfers made in 2011 - as directed by county commission.		
Machinery Repair & Repl.	160,620.86	
County Shop	24,000.00	
Courthouse Repair	29,000.00	
General		213,620.86
To set-aside funds for special projects.		
Social Services	300,000.00	
County Poor Relief		300,000.00
To transfer taxes collected for the purpose of funding county social services.		
09 Homeland Security	40.00	
06 Homeland Security	368.46	
General		408.46
To close funds.		
Multi Hazard Mitigation Plan	10,500.00	
General		10,500.00
To eliminate deficit fund balance.		

Note 13 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31, 2012:

<u>Special Revenue Funds</u>	
County Health District	(2,378.76)
PSIC Grant	(646.30)
Health Insurance	(20,763.32)
W.I.C.	(893.35)
Tobacco Grant	(9,276.67)
County Agent	(452.37)
Cemetery	(88.76)

The county plans to eliminate these deficits with future revenue collections and/or transfers.

Note 14 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the Foster County Senior Citizens and Historical Society. However, the county's accountability for these entities does not extend beyond levying the tax. In 2012, the county remitted \$26,592.20 and \$3,872.68 to the Senior Citizens and Historical Society, respectively.

Note 15 CONTINGENT LIABILITY

The county has received notification that it may be liable to repay up to \$51,154.55 back to the N.D. Department of Emergency Services based on a compliance audit conducted on their 2009 FEMA funding. The county has been instructed not to send any reimbursement until they are notified of a final decision.

Note 16 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The county pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$1,348,660 for public assets.

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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the county with a blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The county has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

Note 17 PENSION PLAN

North Dakota Public Employees Retirement System

The county contributes to the North Dakota Public Employees Retirement System (NDPERS), a cost-sharing multiple-employer defined pension plan administered by the State of North Dakota. NDPERS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota 58507-7100.

Plan members are required to contribute 5% of their annual covered salary. The county is required to contribute 6.26% of the employees salary which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The county has not elected to implement a salary reduction agreement. The contribution requirements of plan members and the county are established and may be amended by the state legislature. The county's contributions to NDPERS for the fiscal years ending December 31, 2012, 2011 and 2010 were \$61,372, \$47,398 and \$44,735, respectively, equal to the required contributions for the year.

FOSTER COUNTY
Carrington, North Dakota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	360,472.10	360,472.10	362,821.72	2,349.62
Licenses, Permits and Fees	3,380.00	3,380.00	9,706.10	6,326.10
Intergovernmental	373,195.00	373,195.00	487,424.31	114,229.31
Charges for Services	59,800.00	59,800.00	36,555.95	(23,244.05)
Fines and Forfeits	24,900.00	24,900.00	1,852.12	(23,047.88)
Miscellaneous	38,850.00	38,850.00	54,793.86	15,943.86
Total Revenues	860,597.10	860,597.10	953,154.06	92,556.96
<u>Expenditures:</u>				
Current:				
General Government	536,805.00	536,805.00	479,759.28	57,045.72
Public Safety	228,611.45	228,611.45	196,999.90	31,611.55
Highways and Public Improve.			3,439.89	(3,439.89)
Conservation and Economic Development	54,122.00	54,122.00	48,425.67	5,696.33
Total Expenditures	819,538.45	819,538.45	728,624.74	90,913.71
Excess (Deficiency) of Revenues Over Expenditures	41,058.65	41,058.65	224,529.32	183,470.67
<u>Other Financing (Uses):</u>				
Transfers Out			(224,529.32)	(224,529.32)
Net Change in Fund Balances	41,058.65	41,058.65	(0.00)	(41,058.65)
Fund Balance - January 1	275,000.00	275,000.00	275,000.00	
Fund Balance - December 31	316,058.65	316,058.65	275,000.00	(41,058.65)

FOSTER COUNTY
Carrington, North Dakota

Budgetary Comparison Schedule
Farm to Market Road Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	321,045.30	321,045.30	308,361.00	(12,684.30)
Intergovernmental	1,065.00	1,065.00	1,240.00	175.00
Charges for Services			15,463.00	15,463.00
Total Revenues	322,110.30	322,110.30	325,064.00	2,953.70
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	900,000.00	900,000.00	391,186.06	508,813.94
Capital Outlay			40,000.00	(40,000.00)
Total Expenditures	900,000.00	900,000.00	431,186.06	468,813.94
Net Change in Fund Balances	(577,889.70)	(577,889.70)	(106,122.06)	471,767.64
Fund Balance - January 1	736,693.85	736,693.85	736,693.85	
Fund Balance - December 31	158,804.15	158,804.15	630,571.79	471,767.64

FOSTER COUNTY
Carrington, North Dakota

Budgetary Comparison Schedule
County Road and Bridge Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	35,693.41	35,693.41	34,105.36	(1,588.05)
Intergovernmental	122.00	122.00	137.02	15.02
Charges for Services	180,000.00	180,000.00	201,339.48	21,339.48
Miscellaneous	10,000.00	10,000.00	74,671.65	64,671.65
Total Revenues	225,815.41	225,815.41	310,253.51	84,438.10
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	360,766.00	360,766.00	254,484.47	106,281.53
Debt Service:				
Principal			14,507.04	(14,507.04)
Interest			4,176.44	(4,176.44)
Total Expenditures	360,766.00	360,766.00	273,167.95	87,598.05
Excess (Deficiency) of Revenues Over Expenditures	(134,950.59)	(134,950.59)	37,085.56	172,036.15
<u>Other Financing Sources:</u>				
Transfers In			58,500.00	58,500.00
Net Change in Fund Balances	(134,950.59)	(134,950.59)	95,585.56	230,536.15
Fund Balance - January 1	398,994.83	398,994.83	398,994.83	
Fund Balance - December 31	264,044.24	264,044.24	494,580.39	230,536.15

FOSTER COUNTY
Carrington, North Dakota

Budgetary Comparison Schedule
Highway Tax Distribution Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	505,000.00	505,000.00	626,240.88	121,240.88
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	549,234.00	549,234.00	336,085.21	213,148.79
Excess (Deficiency) of Revenues Over Expenditures	(44,234.00)	(44,234.00)	290,155.67	334,389.67
<u>Other Financing Sources:</u>				
Transfers In			76,201.19	76,201.19
Net Change in Fund Balances	(44,234.00)	(44,234.00)	366,356.86	410,590.86
Fund Balance - January 1	250,000.00	250,000.00	250,000.00	
Fund Balance - December 31	205,766.00	205,766.00	616,356.86	410,590.86

FOSTER COUNTY
Carrington, North Dakota

Budgetary Comparison Schedule
Social Services Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Licenses, Permits and Fees	185.00	185.00	140.00	(45.00)
Intergovernmental	91,850.00	91,850.00	90,403.05	(1,446.95)
Miscellaneous	11,639.00	11,639.00	5,134.63	(6,504.37)
Total Revenues	103,674.00	103,674.00	95,677.68	(7,996.32)
<u>Expenditures:</u>				
Current:				
Health and Welfare	501,339.11	501,339.11	411,300.74	90,038.37
Excess (Deficiency) of Revenues Over Expenditures	(397,665.11)	(397,665.11)	(315,623.06)	82,042.05
<u>Other Financing Sources:</u>				
Transfers In			300,000.00	300,000.00
Net Change in Fund Balances	(397,665.11)	(397,665.11)	(15,623.06)	382,042.05
Fund Balance - January 1	53,291.24	53,291.24	53,291.24	
Fund Balance - December 31	(344,373.87)	(344,373.87)	37,668.18	382,042.05

FOSTER COUNTY
Carrington, North Dakota

Budgetary Comparison Schedule
FEMA 2011 Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental			168,324.35	168,324.35
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	482,774.81	482,774.81	451,717.03	31,057.78
Net Change in Fund Balances	(482,774.81)	(482,774.81)	(283,392.68)	199,382.13
Fund Balance - January 1	482,774.81	482,774.81	482,774.81	
Fund Balance - December 31	-0-	-0-	199,382.13	199,382.13

FOSTER COUNTY
Carrington, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2012

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Annually, the board of county commissioners provides each office a department budget. The departments complete their budget and file it with the county auditor. Based upon the departmental budget requests and other financial information, the county auditor prepares the preliminary county budget. The budget is prepared for the general and special revenue funds on the modified accrual basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

The board of county commissioners holds a public hearing where any taxpayer may testify in favor or against any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1, the board adopts the final budget. No expenditure shall be made or liability incurred in excess of the total appropriation by fund, except for transfers as authorized by the North Dakota Century Code Section 11-23-07. However, the board of county commissioners may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budget during the year ending December 31, 2012:

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the year ending December 31, 2012:

<u>Special Revenue Funds</u>	
County Poor Relief	65.83
* 09 Homeland Security	76,061.24
* 11 Homeland Security	23,625.00
* Attorney General 24/7	5.19
County Specials	0.53
Senior Citizens	2,292.20
County Historical Society	3,872.68

* A budget was not prepared for these funds.

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

FOSTER COUNTY
Carrington, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers in	Transfers Out	Disbursements	Balance 12-31-12
<u>Major Governmental Funds</u>						
General Fund	275,000.00	953,154.06		224,529.32	728,624.74	275,000.00
Farm to Market Road	736,693.85	325,064.00			431,186.06	630,571.79
County Road and Bridge	200,049.07	318,412.96	58,500.00		273,167.95	303,794.08
Highway Tax Distribution	250,000.00	626,240.88	76,201.19		336,085.21	616,356.86
Social Services	53,291.24	95,677.68	300,000.00		411,300.74	37,668.18
FEMA 2011	482,774.81	168,324.35			451,717.03	199,382.13
Total Major Governmental Funds	1,997,808.97	2,486,873.93	434,701.19	224,529.32	2,632,081.73	2,062,773.04
<u>Non-Major Governmental Funds</u>						
Machinery Repair & Replacement	100,000.00		160,620.86	32,691.54	74,909.81	153,019.51
County Shop	128,009.65		24,000.00	102,009.65		50,000.00
County Poor Relief	5,657.59	309,448.23		300,000.00	65.83	15,039.99
County Health District	(7,611.02)	79,861.87			74,629.61	(2,378.76)
County Emergency	36,837.55	15,559.82			3.29	52,394.08
PSIC Grant	(646.30)					(646.30)
Veterans Service Officer	151.37	12,532.87			12,419.14	265.10
Technology/Social Security	43,382.39	130,595.64			141,002.58	32,975.45
County JDA	70,937.64	7,779.00			1.65	78,714.99
Soil Assessing	2,742.99				1,633.50	1,109.49
Recreation & Water Projects	20,058.26					20,058.26
Advertising	9.75					9.75
09 Homeland Security		76,021.24	40.00		76,061.24	
Gaming Enforcement	179.49					179.49
Protect ND - County Health	27,643.40	42,591.41			45,866.85	24,367.96
11 Homeland Security		23,625.00			23,625.00	
06 Homeland Security	(368.46)		368.46			
Health Insurance	0.61	123,838.96			144,602.89	(20,763.32)
W.I.C.	(769.25)	13,490.82			13,614.92	(893.35)
Special Health	6,972.75	42,822.75			41,493.69	8,301.81
Tobacco Grant	(8,422.50)	54,174.71			55,028.88	(9,276.67)
HMEP Grant	460.47					460.47
County Agent	1,084.27	31,094.90			32,631.54	(452.37)
Attorney General 24/7	708.00	1,302.00			5.19	2,004.81
Multi Hazard Mitigation Plan	(10,500.00)		10,500.00			
Co Correctional Center	15,107.16	9,527.09			21,192.04	3,442.21
Insurance Reserve	4,411.81	52,494.65			46,136.00	10,770.46
County Park	9,824.70	13,738.45			9,409.59	14,153.56
Recorder Preservation	5,378.11	4,888.62			2,536.00	7,730.73
Cemetery	586.67	4.57			680.00	(88.76)
911	38,039.20	21,697.15			32,955.64	26,780.71
911 Wireless	192,291.18	35,398.64			22,460.99	205,228.83
County Specials	360.15	2,477.20			2,481.17	356.18
Courthouse Repair	35,157.16	9,539.99	29,000.00		17,541.08	56,156.07
Senior Citizens	611.85	26,608.24			26,592.20	627.89

(continued)

FOSTER COUNTY
Carrington, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2012
(continued)

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
<u>Non-Major Governmental Funds (cont.)</u>						
Foster County History Book	11,134.57	250.00				11,384.57
Flag Fund	199.03				64.00	135.03
Weed Control	86,861.68	115,634.24			115,291.05	87,204.87
Sale of Property		300.00			300.00	
County Historical Society	13.23	3,869.90			3,872.68	10.45
FEMA 2009	104,518.76	21,811.01			101,322.30	25,007.47
FEMA 2010	33,356.84	734.17			29,765.90	4,325.11
Total Non-Major Governmental Funds	954,370.75	1,283,713.14	224,529.32	434,701.19	1,170,196.25	857,715.77
Total Governmental Funds	2,952,179.72	3,770,587.07	659,230.51	659,230.51	3,802,277.98	2,920,488.81
<u>Agency Funds</u>						
Adult Education	4,467.62	8,563.37			8,488.71	4,542.28
Water Resource District	1,002.40	30,609.69			29,686.74	1,925.35
Hazardous Chemicals	3,440.73	825.00				4,265.73
Ambulance	943.99	46,082.37			44,017.95	3,008.41
County Fair	79.13	23,223.60			23,239.63	63.10
Estimated Tax		6,595.07			6,595.07	
Garrison Diversion	52.79	20,580.80			20,587.31	46.28
State Medical Center	52.79	15,472.92			15,479.43	46.28
Soil Conservation District	123.28	49,851.78			49,862.58	112.48
Job Development	2,232.36	46,473.26			46,821.83	1,883.79
Marriage Licenses		805.00			770.00	35.00
Game & Fish	7,217.86	30,565.00			34,343.00	3,439.86
Mobile Homes	14,146.91	15,771.28			13,783.60	16,134.59
Barlow Locker Grant	1,070.19					1,070.19
Taxes Paid Under Protest		29,497.38			801.53	28,695.85
Township Road Distribution		353,760.65			353,760.65	
Cities	4,334.07	783,852.27			785,440.06	2,746.28
School Districts	7,155.44	1,893,204.83			1,894,859.44	5,500.83
Townships	5,826.69	379,728.35			363,211.28	22,343.76
Rural Fire Districts	1.23	12,739.44			12,716.12	24.55
Prepaid Taxes	1,290,155.30	1,087,011.23			1,290,155.30	1,087,011.23
Total Agency Funds	1,342,302.78	4,835,213.29			4,994,620.23	1,182,895.84
Total Primary Government	4,294,482.50	8,605,800.36	659,230.51	659,230.51	8,796,898.21	4,103,384.65
<u>Discretely Presented Component Unit</u>						
Water Resource District	15,378.67	29,683.74			32,061.20	13,001.21
Total Reporting Entity	4,309,861.17	8,635,484.10	659,230.51	659,230.51	8,828,959.41	4,116,385.86

FOSTER COUNTY
Carrington, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		13,490.82
Passed Through State Dept. of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		231.45
Total U.S. Department of Agriculture			13,722.27
<u>U.S. Department of Transportation</u>			
Passed Through State Department of Transportation:			
Highway Planning and Construction	20.205	Various	42,978.02
Highway Safety Grant	20.600	HSP4021205	1,891.92
Alcohol Traffic Safety Incentive Grant	20.601	HSP4101203	11,100.00
Total U.S. Department of Transportation			55,969.94
<u>U.S. Department of Health and Human Services</u>			
Passed Through State Dept. of Human Services:			
Promoting Safe and Stable Families	93.556		756.49
Temporary Assistance for Needy Families	93.558		6,983.51
Low-Income Home Energy Assistance	93.568		56.64
Child Care Mandatory and Matching Funds	93.596		2,203.58
Children's Justice Grants to States	93.643		207.00
Child Welfare Services - State Grant	93.645		646.74
Foster Care - Title IV-E	93.658		18,293.94
Adoption Assistance	93.659		287.73
State Children's Insurance Program	93.767		477.63
Medical Assistance Program	93.778		204.95
Maternal & Child Health Services Block Grant	93.994		540.27
Total Passed Through State Dept. of Human Services:			30,658.48
Passed Through State Department of Health:			
Public Health Emergency Preparedness	93.069		15,222.83
Child Immunization Grant	93.268		1,047.86
Centers of Disease Control and Prevention Investigations and Technical Assistance	93.283		563.13
Maternal and Child Health Services Block Grant	93.994		3,963.47
Total Passed Through State Department of Health			20,797.29
Total U.S. Department of Health and Human Services			51,455.77

(continued)

FOSTER COUNTY
Carrington, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012
(continued)

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Passed Through State Department of Emergency Services:			
Disaster Grants - Public Assistance	97.036	DR1981	554,675.37
Emergency Management Performance Grants	97.042	EMPG2011	12,834.88
State Homeland Security Program	97.067	Various	99,646.24
Total U.S. Department of Homeland Security			<u>667,156.49</u>
Total Expenditures of Federal Awards			<u>788,304.47</u> =====

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

Rath & Mehrer

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

Governing Board
Foster County
Carrington, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Foster County, Carrington, North Dakota as of and for the year ended December 31, 2012, which collectively comprise the county's basic financial statements and have issued our report thereon dated March 1, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the county's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of the county in the management letter dated March 1, 2013, included within this report.

This report is intended solely for the information and use of management, others within the entity and the governing board and is not intended to be and should not be used by anyone other than these specified parties.



Rath and Mehrer, P.C.

March 1, 2013

Rath & Mehler

Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
Foster County
Carrington, North Dakota

Compliance

We have audited Foster County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the county's major federal programs for the year ended December 31, 2012. The county's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the county's compliance with those requirements.

In our opinion, the county complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Internal Control Over Compliance

Management of Foster County, Carrington, North Dakota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A *deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the governing board, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rath and Mehrer

Rath and Mehrer, P.C.

March 1, 2013

FOSTER COUNTY
Carrington, North Dakota

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:	
Governmental Activities	Unqualified
Discretely Presented Component Unit	Unqualified
Major Governmental Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal control over financial reporting:

* Material weakness(es) identified?	___ Yes	<u> X </u> No
* Significant deficiency(ies) identified?	___ Yes	<u> X </u> None Reported
Noncompliance Material to financial statements noted?	___ Yes	<u> X </u> No

Federal Awards

Internal control over major program(s):

* Material weakness(es) identified?	___ Yes	<u> X </u> No
* Significant deficiency(ies) identified?	___ Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major program(s):	Unqualified
---------------------------------------------------------------------	-------------

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	___ Yes	<u> X </u> No
------------------------------------------------------------------------------------------------------------------------	---------	---------------

Identification of major program(s):

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
--------------------------------------------------------------------------	-----------

Auditee qualified as low-risk auditee?	___ Yes	<u> X </u> No
----------------------------------------	---------	---------------

SECTION II - FINANCIAL STATEMENT FINDINGS:

No matters were reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

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Governing Board
Foster County
Carrington, North Dakota

Our audit of the financial records of Foster County, Carrington, North Dakota, for the year ended December 31, 2012 has disclosed opportunities for improvements in the operations of the county. Items which we believe should be brought to your attention are set forth below:

* * * * *

LATE FEES AND PENALTIES PAID

During the course of our audit we noted several instances where late fees were assessed against the county because payments were made to vendors after the due date, including EFPTS payments to the IRS for payroll withholdings. We recommend that the county auditor's office take steps to insure that all bills are paid prior to the date due to avoid late payment fees.

* * * * *

We would like to acknowledge all of the assistance and many courtesies extended to us by the personnel of the county during our audit.

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the Governing Board, is a matter of public record.

Rath and Mehrer, P.C.

March 1, 2013