



# 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, 2014 and 2013

*Client Code: PS16000*



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Office of the  
State Auditor

# FOSTER COUNTY

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For the Years Ended December 31, 2014 and 2013

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# FOSTER COUNTY

County Officials

December 31, 2014 and 2013

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## COUNTY OFFICIALS

### At December 31, 2014

Chairman	Bill Bauer
Vice Chairman	Les Gregor
Commissioner	James Carr

County Auditor	Casey Cable
County Treasurer	Noreen Barton
County Recorder	Lynlle Lyman Hoppe
Sheriff	Michael Tufte
State's Attorney	Paul Murphy

### At December 31, 2013

Chairman	James Carr
Vice Chairman	Paul Straley
Commissioner	Les Greger

County Auditor	Roger Schlotman
County Treasurer	Noreen Barton
County Recorder	Lynlle Lyman Hoppe
Sheriff	Michael Tufte
State's Attorney	Paul Murphy

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Foster County  
Carrington, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Foster County, North Dakota, as of and for the years ended December 31, 2014 and December 31, 2013, and the related notes to the financial statements, which collectively comprise Foster County's basic financial statements as listed in the table of contents.

### 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Foster County, North Dakota, as of December 31, 2014 and December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof 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 12 to the financial statements, the 2012 financial statements have been restated to correct misstatements. 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 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 October 14, 2024 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  
October 14, 2024

**FOSTER COUNTY**  
Statement of Net Position  
December 31, 2014

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
<b>ASSETS</b>		
Cash and Investments	\$ 2,963,497	\$ 79,152
Intergovernmental Receivable	225,900	-
Accounts Receivable	2,482	-
Road Receivables	158,817	-
Due From County	-	5,068
Taxes Receivable	23,923	904
Capital Assets		
Nondepreciable	1,922,506	-
Depreciable, Net	3,331,819	-
Total Assets	<u>\$ 8,628,944</u>	<u>\$ 85,124</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 98,083	\$ 36,282
Salaries Payable	53,972	-
Grant Received in Advance	207,061	-
Retainage Payable	18,664	-
Interest Payable	983	-
Long-Term Liabilities		
Due Within One Year		
Compensated Absences Payable	4,606	-
Long Term Debt	55,394	-
Due After One Year		
Compensated Absences Payable	41,456	-
Long Term Debt	17,766	-
Total Liabilities	<u>\$ 497,985</u>	<u>\$ 36,282</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 5,162,501	\$ -
Restricted		
Debt Service	-	-
Public Safety	248,337	-
Highways	1,730,231	-
Flood Repair	-	-
Health and Welfare	113,534	-
Culture and Recreation	28,868	-
Conservation of Natural Resources	123,747	48,842
Emergencies	88,095	-
General Government	7,520	-
Economic Development	39,481	-
Unrestricted	588,645	-
Total Net Position	<u>\$ 8,130,959</u>	<u>\$ 48,842</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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Water Resource District
<b>Primary Government</b>					
General Government	\$ 1,120,429	\$ 11,439	\$ 3,250	\$ (1,105,740)	
Public Safety	426,185	74,935	62,243	(289,007)	
Highways	918,542	171,956	2,037,130	1,290,544	
Flood Repair	52,168	-	52,168	-	
Health and Welfare	765,439	54,584	153,465	(557,390)	
Culture and Recreation	24,689	-	44,464	19,775	
Conservation of Natural Resources	213,838	28,745	-	(185,093)	
Emergency	1,702	-	-	(1,702)	
Economic Development	40,000	-	-	(40,000)	
Interest Expense on Long-Term Debt	4,320	-	-	(4,320)	
Total Primary Government	<u>\$ 3,567,312</u>	<u>\$ 341,659</u>	<u>\$ 2,352,720</u>	<u>\$ (872,933)</u>	
<b>Component Unit</b>					
Water Resource District	<u>\$ 56,265</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (56,265)</u>
<b>General Revenues</b>					
Property Taxes				\$ 1,735,115	\$ 76,678
Grants and Contributions Not Restricted to Spe				636,530	-
Gain on Sale of Assets				52,000	-
Interest Revenue				18,675	7
Miscellaneous Revenue				131,320	6
Total General Revenues				<u>\$ 2,573,640</u>	<u>\$ 76,691</u>
Change in Net Position				<u>\$ 1,700,707</u>	<u>\$ 20,426</u>
Net Position - January 1				<u>\$ 6,430,252</u>	<u>\$ 28,416</u>
Net Position - December 31				<u>\$ 8,130,959</u>	<u>\$ 48,842</u>

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

**FOSTER COUNTY**

Balance Sheet – Governmental Funds

December 31, 2014

	General	Special Revenue	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 449,567	\$ 2,513,930	\$ 2,963,497
Intergovernmental Receivable	166,801	59,099	225,900
Accounts Receivable	2,218	264	2,482
Road Receivables	-	158,817	158,817
Taxes Receivable	4,988	18,935	23,923
<b>Total Assets</b>	<b>\$ 623,574</b>	<b>\$ 2,751,045</b>	<b>\$ 3,374,619</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$ 16,771	\$ 81,312	\$ 98,083
Salaries & Benefits Payable	18,158	35,814	53,972
Grants Received in Advance	-	207,061	207,061
Retainage Payable	-	18,664	18,664
<b>Total Liabilities</b>	<b>\$ 34,929</b>	<b>\$ 342,851</b>	<b>\$ 377,780</b>
Deferred Inflows of Resources			
Taxes Receivable	\$ 4,988	\$ 18,935	\$ 23,923
Road Receivables	-	158,817	158,817
<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,988</b>	<b>\$ 177,752</b>	<b>\$ 182,740</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 39,917</b>	<b>\$ 520,603</b>	<b>\$ 560,520</b>
Fund Balances			
Restricted			
Public Safety	\$ -	\$ 248,064	\$ 248,064
Highways	-	1,567,561	1,567,561
Health and Welfare	-	117,035	117,035
Culture and Recreation	-	28,868	28,868
Conservation of Natural Resources	-	122,247	122,247
Emergency	-	87,845	87,845
General Government	-	20,028	20,028
Economic Development	-	38,794	38,794
Unassigned	583,657	-	583,657
<b>Total Fund Balances</b>	<b>\$ 583,657</b>	<b>\$ 2,230,442</b>	<b>\$ 2,814,099</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 623,574</b>	<b>\$ 2,751,045</b>	<b>\$ 3,374,619</b>

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



**FOSTER COUNTY**

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
December 31, 2014

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**Total Fund Balances for Governmental Funds** \$ 2,814,099

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. 5,254,325

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	\$ 23,923	
Road receivables	<u>158,817</u>	182,740

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position.

Compensated absences	\$ (46,062)	
Interest Payable	(983)	
Long Term Debt	<u>(73,160)</u>	<u>(120,205)</u>

**Total Net Position of Governmental Activities** \$ 8,130,959

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, 2014

	General	Special Revenue	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 370,754	\$ 1,361,140	\$ 1,731,894
Intergovernmental	640,752	2,348,500	2,989,252
Charges for Services	42,653	303,903	346,556
Licenses, Permits and Fees	5,636	-	5,636
Interest Income	18,675	-	18,675
Miscellaneous	15,626	115,692	131,318
Total Revenues	<u>\$ 1,094,096</u>	<u>\$ 4,129,235</u>	<u>\$ 5,223,331</u>
<b>EXPENDITURES</b>			
Current			
General Government	\$ 671,717	\$ 436,025	\$ 1,107,742
Public Safety	305,609	141,088	446,697
Highways	20,385	2,876,609	2,896,994
Flood Repair	-	52,168	52,168
Health and Welfare	-	761,773	761,773
Culture and Recreation	-	24,689	24,689
Conser. of Natural Resources	40,486	172,258	212,744
Economic Development	-	40,000	40,000
Emergency	-	27	27
Debt Service			
Principal	-	53,298	53,298
Interest & Service Charges	-	5,195	5,195
Total Expenditures	<u>\$ 1,038,197</u>	<u>\$ 4,563,130</u>	<u>\$ 5,601,327</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 55,899</u>	<u>\$ (433,895)</u>	<u>\$ (377,996)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$ 1,186	\$ 620,698	\$ 621,884
Transfers Out	(30,565)	(591,319)	(621,884)
Total Other Financing Sources and Uses	<u>\$ (29,379)</u>	<u>\$ 29,379</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 26,520</u>	<u>\$ (404,516)</u>	<u>\$ (377,996)</u>
Fund Balance - January 1	<u>\$ 557,137</u>	<u>\$ 2,634,958</u>	<u>\$ 3,192,095</u>
Fund Balance - December 31	<u><u>\$ 583,657</u></u>	<u><u>\$ 2,230,442</u></u>	<u><u>\$ 2,814,099</u></u>

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

**FOSTER COUNTY**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2014

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**Net Change in Fund Balances - Total Governmental Funds** \$ (377,996)

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	\$ 2,197,430	
Current Year Depreciation	<u>(220,412)</u>	1,977,018

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		52,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	\$ 2,824	
Decrease in Interest Payable	<u>875</u>	3,699

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	\$ 3,221	
Decrease in Road Receivable	<u>(10,534)</u>	<u>(7,313)</u>

**Change in Net Position of Governmental Activities** \$ 1,700,707

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

**FOSTER COUNTY**  
Statement of Net Position  
December 31, 2013

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
<b>ASSETS</b>		
Cash and Investments	\$ 3,351,637	\$ 27,443
Intergovernmental Receivable	185,985	-
Accounts Receivable	2,562	-
Road Receivables	169,351	-
Due from County	-	1,147
Taxes Receivable	20,702	413
Capital Assets		
Nondepreciable	1,246,288	-
Depreciable, Net	1,979,019	-
<b>Total Assets</b>	<b>\$ 6,955,544</b>	<b>\$ 29,003</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 38,721	\$ 587
Salaries & Benefits Payable	50,140	-
Grant Received in Advance	259,228	-
Interest Payable	1,858	-
Long-Term Liabilities		
Due Within One Year		
Compensated Absences Payable	4,889	-
Long Term Debt	53,298	-
Due After One Year		
Compensated Absences Payable	43,997	-
Long Term Debt	73,161	-
<b>Total Liabilities</b>	<b>\$ 525,292</b>	<b>\$ 587</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 3,098,848	\$ -
Restricted		
Debt Service	-	-
Public Safety	255,154	-
Highways	2,116,613	-
Flood Repair	-	-
Health and Welfare	68,725	-
Culture and Recreation	41,916	-
Conservation of Natural Resources	122,745	28,416
Economic Development	79,431	-
Emergencies	68,880	-
Special Purposes	18,065	-
Unrestricted	559,875	-
<b>Total Net Position</b>	<b>\$ 6,430,252</b>	<b>\$ 28,416</b>

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

# FOSTER COUNTY

## Statement of Activities

For the Year Ended December 31, 2013

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 Governmental Activities	Component Unit Water Resource District
<b>Primary Government</b>						
General Government	\$ 919,381	\$ 16,288	\$ -	\$ -	\$ (903,093)	
Public Safety	321,113	74,854	90,740	-	(155,519)	
Highways	1,244,757	168,029	894,836	1,189,983	1,008,091	
Flood Repair	77,634	-	77,634	-	-	
Health and Welfare	678,319	24,529	123,822	-	(529,968)	
Culture and Recreation	6,625	-	72,917	-	66,292	
Conservation of Natural Resources	207,632	31,147	-	-	(176,485)	
Economic Development	15,223	-	-	-	(15,223)	
Interest Expense on Long-Term Debt	6,177	-	-	-	(6,177)	
<b>Total Primary Government</b>	<b>\$ 3,476,861</b>	<b>\$ 314,847</b>	<b>\$ 1,259,949</b>	<b>\$ 1,189,983</b>	<b>\$ (712,082)</b>	
<b>Component Unit</b>						
Water Resource District	\$ 21,439	\$ -	\$ -	\$ -		\$ (21,439)
<b>General Revenues</b>						
Property Taxes					\$ 1,601,626	\$ 33,407
Grants and Contributions Not Restricted to Specific Programs					691,647	-
Gain on Sale of Assets					-	-
Interest Revenue					25,729	3
Miscellaneous Revenue					112,156	1,277
<b>Total General Revenues</b>					<b>\$ 2,431,158</b>	<b>\$ 34,687</b>
<b>Change in Net Position</b>					<b>\$ 1,719,076</b>	<b>\$ 13,248</b>
<b>Net Position - January 1</b>					<b>\$ 4,138,715</b>	<b>\$ 15,168</b>
<b>Prior Period Adjustment</b>					<b>\$ 572,461</b>	<b>\$ -</b>
<b>Net Position - January 1 as restated</b>					<b>\$ 4,711,176</b>	<b>\$ 15,168</b>
<b>Net Position - December 31</b>					<b>\$ 6,430,252</b>	<b>\$ 28,416</b>

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

**FOSTER COUNTY**

Balance Sheet – Governmental Funds

December 31, 2013

	General	Special Revenue	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 438,362	\$ 2,913,275	\$ 3,351,637
Intergovernmental Receivable	133,195	52,790	185,985
Accounts Receivable	2,297	265	2,562
Road Receivables	-	169,351	169,351
Taxes Receivable	4,596	16,106	20,702
<b>Total Assets</b>	<b>\$ 578,450</b>	<b>\$ 3,151,787</b>	<b>\$ 3,730,237</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$ 51	\$ 38,670	\$ 38,721
Salaries & Benefits Payable	16,666	33,474	50,140
Grants Received in Advance	-	259,228	259,228
<b>Total Liabilities</b>	<b>\$ 16,717</b>	<b>\$ 331,372</b>	<b>\$ 348,089</b>
Deferred Inflows of Resources			
Taxes Receivable	\$ 4,596	\$ 16,106	\$ 20,702
Road Receivables	-	169,351	169,351
<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,596</b>	<b>\$ 185,457</b>	<b>\$ 190,053</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 21,313</b>	<b>\$ 516,829</b>	<b>\$ 538,142</b>
Fund Balances			
Restricted			
Public Safety	\$ -	\$ 256,779	\$ 256,779
Highways	-	1,960,960	1,960,960
Health and Welfare	-	71,545	71,545
Culture and Recreation	-	41,916	41,916
Conservation of Natural Resources	-	121,567	121,567
Emergency	-	68,674	68,674
General Government	-	34,750	34,750
Economic Development	-	78,767	78,767
Unassigned	557,137	-	557,137
<b>Total Fund Balances</b>	<b>\$ 557,137</b>	<b>\$ 2,634,958</b>	<b>\$ 3,192,095</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 578,450</b>	<b>\$ 3,151,787</b>	<b>\$ 3,730,237</b>

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

**FOSTER COUNTY**

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
December 31, 2013

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<b>Total Fund Balances for Governmental Funds</b>		\$ 3,192,095
Total <i>net position</i> reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		3,225,307
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	\$ 20,702	
Road receivables	<u>169,351</u>	190,053
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	\$ (48,886)	
Interest Payable	(1,858)	
Long Term Debt	<u>(126,459)</u>	<u>(177,203)</u>
<b>Total Net Position of Governmental Activities</b>		<u><u>\$ 6,430,252</u></u>

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

**FOSTER COUNTY**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended December 31, 2013

	General	Special Revenue	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 365,086	\$ 1,231,797	\$ 1,596,883
Intergovernmental	697,405	1,254,189	1,951,594
Charges for Services	51,829	278,025	329,854
Licenses, Permits and Fees	4,623	1,805	6,428
Interest Income	25,729	-	25,729
Miscellaneous	11,754	100,402	112,156
Total Revenues	<u>\$ 1,156,426</u>	<u>\$ 2,866,218</u>	<u>\$ 4,022,644</u>
<b>EXPENDITURES</b>			
Current			
General Government	\$ 541,865	\$ 363,220	\$ 905,085
Public Safety	246,249	94,532	340,781
Highways	-	1,178,007	1,178,007
Flood Repair	-	77,634	77,634
Health and Welfare	-	674,212	674,212
Culture and Recreation	-	6,625	6,625
Conser. of Natural Resources	44,509	157,229	201,738
Emergency	-	38,671	38,671
Debt Service			
Principal	-	51,287	51,287
Interest & Service Charges	-	7,206	7,206
Total Expenditures	<u>\$ 832,623</u>	<u>\$ 2,648,623</u>	<u>\$ 3,481,246</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 323,803</u>	<u>\$ 217,595</u>	<u>\$ 541,398</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$ -	\$ 329,548	\$ 329,548
Transfers Out	(28,569)	(300,979)	(329,548)
Total Other Financing Sources and Uses	<u>\$ (28,569)</u>	<u>\$ 28,569</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 295,234</u>	<u>\$ 246,164</u>	<u>\$ 541,398</u>
Fund Balance - January 1	<u>\$ 275,000</u>	<u>\$ 2,836,275</u>	<u>\$ 3,111,275</u>
Prior Period Adjustment	<u>\$ (13,097)</u>	<u>\$ (447,481)</u>	<u>\$ (460,578)</u>
Fund Balance - January 1 as restated	<u>\$ 261,903</u>	<u>\$ 2,388,794</u>	<u>\$ 2,650,697</u>
Fund Balance - December 31	<u>\$ 557,137</u>	<u>\$ 2,634,958</u>	<u>\$ 3,192,095</u>

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



## FOSTER COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2013

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**Net Change in *Fund Balances* - Total Governmental Funds** **\$ 541,398**

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	\$ 1,300,213	
Current Year Depreciation	<u>(148,652)</u>	1,151,561

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

Increase in Compensated Absences	\$ (9,507)	
Decrease in Interest Payable	<u>1,029</u>	(8,478)

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	\$ 4,743	
Decrease in Road Receivable	<u>(21,435)</u>	<u>(16,692)</u>

**Change in *Net Position* of Governmental Activities** **\$ 1,719,076**

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

**FOSTER COUNTY**

## Statement of Fiduciary Assets and Liabilities - Agency Funds

December 31, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	<u>\$ 1,218,837</u>	<u>\$ 1,096,633</u>
<b>LIABILITIES</b>		
Due to Other Governments	<u>\$ 1,218,837</u>	<u>\$ 1,096,633</u>

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

# FOSTER COUNTY

Notes to the Financial Statements  
For the Year Ended December 31, 2014 and 2013

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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 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 such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of 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 unit discussed below is included within the County's reporting entity because of the significance of their operational or financial relationships with the County.

### **Component Unit**

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

*Discretely Presented Component Unit.* The component unit column in the basic financial statements includes the financial data of the County's component units. These units are reported in separate columns to emphasize that it is legally separate from the County.

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.

### Basis of Presentation

*Government-wide statements.* The statement of net position and the statement of activities display information about the County (primary government) 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 non-exchange transactions.

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

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

## FOSTER COUNTY

### Notes to the Financial Statements – Continued

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The County reports the following major governmental funds:

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

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

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 and Investments**

Cash includes amounts in demand deposits and money market accounts.

The investments of the County during the years ended December 31, 2014 and December 31, 2013 consist of certificates of deposit stated at cost with maturities in excess of three months.

### **Capital Assets**

#### **Primary Government**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

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

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

**Compensated Absences**

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

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

**Long-Term Liabilities**

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

When applicable, 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, and discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Balance**

*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 County to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

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

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

**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 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 state and federal grants/reimbursements.

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

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

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**Interfund Transactions**

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

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

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

**NOTE 2: DEPOSITS**

**Custodial Credit Risk**

In accordance with North Dakota Statutes, the County maintain 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 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, 2014, the County's carrying amount of deposits totaled \$4,181,362, and the bank balances totaled \$4,191,680. Of the bank balances, \$2,397,331 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2013, the County's carrying amount of deposits totaled \$4,447,622, and the bank balances totaled \$4,477,713. Of the bank balances, \$2,438,499 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2014, the Water Resource District's carrying amount of deposits totaled \$79,152, and the bank balances totaled \$83,516, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2013, the Water Resource District's carrying amount of deposits totaled \$27,443, and the bank balances totaled \$28,633, all of which were covered by Federal Depository Insurance.

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 3: INVESTMENTS**

As authorized in North Dakota Statutes, idle funds may be invested as follows:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an 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 a type listed above.
3. Certificates of deposit fully insured by the federal deposit insurance corporation or by the state.
4. Certificates of deposit, savings deposits, or other deposits fully insured or guaranteed by the federal deposit insurance corporation and placed for the benefit of the public depositor by a public depository through an appropriate deposit placement service as determined by the commissioner of financial institutions.
5. State and local securities:
  - a. Any security that is a general obligation of any state or local government with taxing powers and is rated in the highest three categories by a nationally recognized rating agency.
  - b. An obligation of the state housing finance agency that is rated in the highest two categories by a nationally recognized rating agency.
  - c. Any security that is a general obligation of a school district and is rated in the highest two categories by a nationally recognized rating agency.
  - d. Obligations of this state and general obligations of its political subdivisions.
6. Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

At December 31, 2014, the County held certificates of deposits in the amount of \$2,079,418, which are all considered deposits.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rate. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy that specifically addresses credit risk.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The County does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer.

**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**

The following is a summary of changes in capital assets for the years ended December 31, 2014 and 2013:

<b>Primary Government - 2014</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	1,246,288	1,932,363	-	(1,256,145)	1,922,506
<b>Total capital assets not being depreciated</b>	<b>\$ 1,246,288</b>	<b>\$ 1,932,363</b>	<b>\$ -</b>	<b>\$ (1,256,145)</b>	<b>\$ 1,922,506</b>
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 295,040	\$ 30,128	\$ -	\$ -	\$ 325,168
Equipment	1,209,711	286,938	(191,000)	-	1,305,649
Buildings	1,371,372	-	-	-	1,371,372
Infrastructure	796,169	-	-	1,256,145	2,052,314
<b>Total capital assets, being depreciated</b>	<b>\$ 3,672,292</b>	<b>\$ 317,066</b>	<b>\$ (191,000)</b>	<b>\$ 1,256,145</b>	<b>\$ 5,054,503</b>
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 202,849	\$ 20,822	\$ -	\$ -	\$ 223,671
Equipment	615,033	121,927	(191,000)	-	545,960
Buildings	765,740	19,867	-	-	785,607
Infrastructure	109,651	57,795	-	-	167,446
<b>Total accumulated depreciation</b>	<b>\$ 1,693,273</b>	<b>\$ 220,411</b>	<b>\$ (191,000)</b>	<b>\$ -</b>	<b>\$ 1,722,684</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 1,979,019</b>	<b>\$ 96,655</b>	<b>\$ -</b>	<b>\$ 1,256,145</b>	<b>\$ 3,331,819</b>
<b>Total capital assets, net</b>	<b>\$ 3,225,307</b>	<b>\$ 2,029,018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,254,325</b>

<b>Primary Government - 2013</b>	<b>Restated Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	1,246,288	-	-	1,246,288
<b>Total capital assets not being depreciated</b>	<b>\$ -</b>	<b>\$ 1,246,288</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,246,288</b>
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 266,237	\$ 28,803	\$ -	\$ -	\$ 295,040
Equipment	1,184,588	25,123	-	-	1,209,711
Buildings	1,371,372	-	-	-	1,371,372
Infrastructure	796,169	-	-	-	796,169
<b>Total capital assets, being depreciated</b>	<b>\$ 3,618,366</b>	<b>\$ 53,926</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,672,292</b>
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 182,620	\$ 20,229	\$ -	\$ -	\$ 202,849
Equipment	522,400	92,633	-	-	615,033
Buildings	745,873	19,867	-	-	765,740
Infrastructure	93,727	15,924	-	-	109,651
<b>Total accumulated depreciation</b>	<b>\$ 1,544,620</b>	<b>\$ 148,653</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,693,273</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 2,073,746</b>	<b>\$ (94,727)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,979,019</b>
<b>Total capital assets, net</b>	<b>\$ 2,073,746</b>	<b>\$ 1,151,561</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,225,307</b>



**FOSTER COUNTY**

Notes to the Financial Statements – Continued

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

<b>Primary Government</b>	<b>2014</b>	<b>2013</b>
General Government	\$ 15,350	\$ 15,350
Public Safety	11,504	9,216
Highways	182,918	114,649
Health and Welfare	1,870	1,870
Culture and Recreation	7,094	1,675
Conservation of Natural Resources	1,675	5,893
<b>Total Depreciation Expense</b>	<b>\$ 220,411</b>	<b>\$ 148,653</b>

**NOTE 6: LONG-TERM LIABILITIES**

During the years ended December 31, 2014 and 2013, the following changes occurred in long-term liabilities:

<b>Primary Government - 2014</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 48,886	\$ -	\$ 2,824	\$ 46,062	\$ 4,606
Long Term Debt					
Capital Lease Payable	\$ 126,459	\$ -	\$ 53,299	\$ 73,160	\$ 55,394
<b>Total Long Term Liabilities</b>	<b>\$ 175,345</b>	<b>\$ -</b>	<b>\$ 56,123</b>	<b>\$ 119,222</b>	<b>\$ 60,000</b>

<b>Primary Government - 2013</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 39,379	\$ 9,507	\$ -	\$ 48,886	\$ 4,889
Long Term Debt					
Capital Lease Payable	\$ 177,746	\$ -	\$ 51,287	126,459	\$ 53,298
<b>Total Long Term Liabilities</b>	<b>\$ 217,125</b>	<b>\$ 9,507</b>	<b>\$ 51,287</b>	<b>\$ 175,345</b>	<b>\$ 58,187</b>

\* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

**NOTE 7: CAPITAL LEASES**

The County has entered into the following lease agreements:

\$88,505 lease-purchase of a John Deere Motor Grader; due in annual installments of \$19,891 through February 26, 2015; payments include interest at 3.95%	\$ 19,125
\$190,865 lease-purchase of a John Deere Motor Grader; due in annual installments of \$19,917 through October 10, 2015; payments include interest at 2.75%	19,377
\$80,500 lease-purchase of a John Deere Motor Grader; due in annual installments of \$18,683 through December 15, 2016; payments include interest at 5.05%	<u>34,658</u>
<b>Total</b>	<b><u>\$ 73,160</u></b>

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

These lease agreements qualify as capital leases for accounting purposes. 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, 2014:

Year Ending <u>31-Dec</u>	<u>Payments</u>
2015	\$ 58,496
2016	18,684
Total Minimum Lease Payments	<u>\$ 77,180</u>
Less: Amount Representing Interest	<u>\$ (4,020)</u>
Present Value of Future Mimimum Lease Payments	<u>\$ 73,160</u>

**NOTE 8: TRANSFERS**

Transfers are used to move unrestricted general revenue to finance programs that the County 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 projects.

2014	Transfers In	Transfers Out
<b>Major Funds</b>		
General Fund	\$ 1,186	\$ 30,565
Special Revenue Fund	620,698	591,319
Total Transfers	<u>\$ 621,884</u>	<u>\$ 621,884</u>

2013	Transfers In	Transfers Out
<b>Major Funds</b>		
General Fund	\$ -	\$ 28,569
Special Revenue Fund	329,548	300,979
Total Transfers	<u>\$ 329,548</u>	<u>\$ 329,548</u>

**NOTE 9: RISK MANAGEMENT**

The 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and for automobile, and \$1,650,560 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 \$1,000,000 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.

The County has worker's compensation with the North Dakota Workforce Safety and Insurance.

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

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

**NOTE 10: PENSION PLAN**

Foster County contributes to the North Dakota Public Employee’s Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for 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, 58502-1214. Plan members are required to contribute 7% of their annual salary and the county is required to contribute 8.26% of the employee’s salary, which consists of 7.12% for employee retirement and 1.14% for retiree health benefits fund. The county has agreed to pay 100% of the member assessments in lieu of a salary increase. The contributions requirements of the plan members and the county are established and may be amended by the State legislature. The County’s contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$93,874, \$79,266, and \$62,455, respectively, equal to the required contributions for the year.

**NOTE 11: CONSTRUCTION COMMITMENTS**

The County had open constructions commitment as of December 31, 2014 as follows:

<b>Primary Government</b>	<b>Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>	<b>Percent Complete</b>
CNOA-1621(055) - Bituminous Overlay and Subgrade Repair	\$ 1,871,010	\$ 1,866,376	\$ 18,663	\$ 23,297	99.75%

**NOTE 12: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments were necessary for the government wide statements to properly report the beginning balance of capital assets, accounts payable, benefits payable, unearned revenue, accounts payable and fund reclassifications for the government wide activities. The General Fund’s Fund Balance as of January 1, 2013, has also been restated for a benefits payable adjustment. Special Revenue Fund Balance as of January 1, 2013, has also been restated for unearned revenue, road receivables, accounts payable, and fund reclassifications. The adjustments can be seen below:

	<b>Governmental Activities</b>	<b>General Fund</b>	<b>Special Revenue Fund</b>
Beginning Net Position, as previously reported	\$ 4,138,715	\$ 275,000	\$ 2,836,275
<b>Adjustment to restate the January 1, 2013 Net Position</b>			
Capital Asset Adjustment	842,253	-	-
Benefits Payable	(13,097)	(13,097)	-
Road Receivables	-	-	(190,786)
Unearned Revenue	(228,715)	-	(228,715)
Payables	(31,607)	-	(31,607)
Fund Reclassification	3,627	-	3,627
Net Position January 1, as restated	\$ 4,711,176	\$ 261,903	\$ 2,388,794

**NOTE 13: SUBSEQUENT EVENTS**

The County had the following events occur after the year end of 2014:

In 2015, the County expended \$325,554 on chip sealing projects for the Kensal and Barlow roads.

On March 15, 2016, the county authorized a new loan for a new county shop totaling \$320,000. The loan has installment payments of \$88,317 for 4 years. Total interest over the term of the loan totals \$33,267.

On September 22, 2016, the county authorized a new capital lease with John Deere for a new motor grader with annual payments of \$20,901 over a 7-year period from 2017 to 2023. Total interest over the term of the lease is \$13,744.

**FOSTER COUNTY**

Notes to the Financial Statements – Continued

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On September 15, 2016, the county authorized a new capital lease with Kinetic Leasing, Inc. for a new motor grader with annual payments of \$16,658 over a 7-year period from 2017 to 2023. Total interest over the term of the lease is \$13,406.

In 2016, the County signed an agreement totaling \$1,291,550 with Knife River Materials for the Kensal road project CNOB-CNOC-1621(056). This project would be finished in 2017 at a cost of \$1,372,905 and was paid for by state funds.

From 2017 through 2018, the County spent \$1,330,402 on the McHenry Paving road project CNOC-CNOB-1602(067) of which, only \$15,493 would be paid for through local funds. The remaining was paid for with state funds.

From 2017 through 2018 the County spent \$415,074 on a courthouse roofing and construction project.

On October 2, 2017, the county authorized a loan totaling \$129,000 for the purchase of 2014 motor grader with annual payments of \$20,940 over a 7-year period. \$146,580 is the total all the payments to made over the course of the loan.

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.

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.

On 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 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 2014:

On May 3, 2013, the Water District approved a loan agreement with the Bank of North Dakota for \$600,000 with a 2% interest rate for 15 years.

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

December 31, 2014 and 2013

	2014				2013			
	Original Budget	Amended Budget	Actual	Variance with Final Budget	Original Budget	Amended Budget	Actual	Variance with Final Budget
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ 370,754	\$ 370,754	\$ 369,000	\$ 369,000	\$ 365,086	\$ (3,914)
Intergovernmental	-	-	640,752	640,752	512,445	512,445	697,405	184,960
Charges for Services	-	-	42,653	42,653	37,300	37,300	51,829	14,529
Licenses, Permits and Fees	-	-	5,636	5,636	5,370	5,370	4,623	(747)
Interest Income	-	-	18,675	18,675	30,000	30,000	25,729	(4,271)
Miscellaneous	-	-	15,626	15,626	3,005	3,005	11,754	8,749
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,094,096</b>	<b>\$ 1,094,096</b>	<b>\$ 957,120</b>	<b>\$ 957,120</b>	<b>\$ 1,156,426</b>	<b>\$ 199,306</b>
<b>EXPENDITURES</b>								
Current								
General Government	\$ 656,739	\$ 656,739	\$ 671,717	\$ (14,978)	\$ 553,985	\$ 553,985	\$ 541,865	\$ 12,120
Public Safety	290,462	290,462	305,609	(15,147)	259,417	259,417	246,249	13,168
Health and Welfare	-	-	-	-	-	-	-	-
Highways	-	-	20,385	(20,385)	45,398	45,398	44,509	889
Conservation of Natural Resources	37,232	37,232	40,486	(3,254)	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 984,433</b>	<b>\$ 984,433</b>	<b>\$ 1,038,197</b>	<b>\$ (53,764)</b>	<b>\$ 858,800</b>	<b>\$ 858,800</b>	<b>\$ 832,623</b>	<b>\$ 26,177</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (984,433)	\$ (984,433)	\$ 55,899	\$ 1,147,860	\$ 98,320	\$ 98,320	\$ 323,803	\$ 173,129
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	\$ -	\$ -	\$ 1,186	\$ 1,186	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	(30,565)	(30,565)	-	-	(28,569)	(28,569)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (29,379)</b>	<b>\$ (29,379)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (28,569)</b>	<b>\$ (28,569)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (984,433)</b>	<b>\$ (984,433)</b>	<b>\$ 26,520</b>	<b>\$ 1,118,481</b>	<b>\$ 98,320</b>	<b>\$ 98,320</b>	<b>\$ 295,234</b>	<b>\$ 144,560</b>
Fund Balance - January 1	\$ 557,137	\$ 557,137	\$ 557,137	\$ -	\$ 275,000	\$ 275,000	\$ 275,000	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,097)	\$ 13,097
Fund Balance - January 1 Restated	\$ 557,137	\$ 557,137	\$ 557,137	\$ -	\$ 261,903	\$ 261,903	\$ 261,903	\$ -
Fund Balance - December 31	\$ (427,296)	\$ (427,296)	\$ 583,657	\$ 1,118,481	\$ 360,223	\$ 360,223	\$ 557,137	\$ 144,560

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

# FOSTER COUNTY

## Budgetary Comparison Schedule - Special Revenue Fund December 31, 2014 and 2013

	2014				2013			
	Original Budget	Amended Budget	Actual	Variance with Final Budget	Original Budget	Amended Budget	Actual	Variance with Final Budget
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ 1,361,140	\$ 1,361,140	\$ 1,246,145	\$ 1,246,145	\$ 1,231,797	\$ (14,348)
Intergovernmental	-	-	2,342,190	2,342,190	747,171	747,171	1,201,399	454,228
Charges for Services	-	-	303,903	303,903	279,000	279,000	278,025	(975)
Licenses, Permits and Fees	-	-	-	-	-	-	1,805	1,805
Interest Income	-	-	-	-	-	-	-	-
Miscellaneous	-	-	115,692	115,692	101,573	101,573	100,402	(1,171)
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,122,925</b>	<b>\$ 4,122,925</b>	<b>\$ 2,373,889</b>	<b>\$ 2,373,889</b>	<b>\$ 2,813,428</b>	<b>\$ 439,539</b>
<b>EXPENDITURES</b>								
<b>Current</b>								
General Government	\$ 518,206	\$ 518,206	\$ 436,025	\$ 82,181	\$ 427,951	\$ 427,951	\$ 363,220	\$ 64,731
Public Safety	202,863	202,863	141,088	61,775	180,003	180,003	94,532	85,471
Highways	4,481,200	4,481,200	2,857,944	1,623,256	2,313,500	2,313,500	1,178,007	1,135,493
Flood Repair	-	-	52,168	(52,168)	-	-	77,634	(77,634)
Health and Welfare	655,507	655,507	761,773	(106,266)	776,821	776,821	674,212	102,609
Culture and Recreation	25,935	25,935	24,689	1,246	23,625	23,625	6,625	17,000
Conser. of Natural Resources	181,385	181,385	172,258	9,127	169,557	169,557	157,229	12,328
Emergency	50,967	50,967	40,000	10,967	67,000	67,000	38,671	28,329
Economic Development	-	-	27	(27)	79,000	79,000	-	79,000
Capital Outlay	-	-	-	-	-	-	-	-
<b>Debt Service</b>								
Principal	-	-	53,298	53,298	-	-	51,287	51,287
Interest	-	-	5,195	5,195	-	-	7,206	7,206
<b>Total Expenditures</b>	<b>\$ 6,116,063</b>	<b>\$ 6,116,063</b>	<b>\$ 4,544,465</b>	<b>\$ 1,688,584</b>	<b>\$ 4,037,457</b>	<b>\$ 4,037,457</b>	<b>\$ 2,648,623</b>	<b>\$ 1,505,820</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ (6,116,063)</b>	<b>\$ (6,116,063)</b>	<b>\$ (421,540)</b>	<b>\$ 2,434,341</b>	<b>\$ (1,663,568)</b>	<b>\$ (1,663,568)</b>	<b>\$ 164,805</b>	<b>\$ 1,828,373</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	\$ -	\$ -	\$ 620,698	\$ 620,698	\$ -	\$ -	\$ 329,548	\$ 329,548
Transfers Out	-	-	(591,319)	(591,319)	(355,000)	(355,000)	(300,979)	54,021
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,379</b>	<b>\$ 29,379</b>	<b>\$ (355,000)</b>	<b>\$ (355,000)</b>	<b>\$ 28,569</b>	<b>\$ 383,569</b>
<b>Net Change in Fund Balance</b>	<b>\$ (6,116,063)</b>	<b>\$ (6,116,063)</b>	<b>\$ (392,161)</b>	<b>\$ 2,463,720</b>	<b>\$ (2,018,568)</b>	<b>\$ (2,018,568)</b>	<b>\$ 193,374</b>	<b>\$ 2,211,942</b>
Fund Balance - January 1	\$ 2,582,168	\$ 2,582,168	\$ 2,582,168	\$ -	\$ 2,836,275	\$ 2,836,275	\$ 2,836,275	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (447,481)	\$ 13,097
Fund Balance - January 1 Restated	\$ 2,582,168	\$ 2,582,168	\$ 2,582,168	\$ -	\$ 2,388,794	\$ 2,388,794	\$ 2,388,794	\$ -
Fund Balance - December 31	<b>\$ (3,533,895)</b>	<b>\$ (3,533,895)</b>	<b>\$ 2,190,007</b>	<b>\$ 2,463,720</b>	<b>\$ 370,226</b>	<b>\$ 370,226</b>	<b>\$ 2,582,168</b>	<b>\$ 2,211,942</b>

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

# FOSTER COUNTY

Notes to the Required Supplementary Information  
For the Years Ended December 31, 2014 and 2013

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## NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

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

## NOTE 2: LEGAL COMPLIANCE - BUDGETS

### Budget Amendments

The board of County commissioners did not amend the County budget for 2014 and 2013.

## NOTE 3: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2014, Foster County had the following fund expenditures in excess of budgeted amounts:

2014 Fund	Budget	Actual	Excess
General Fund	\$ 984,433	\$ 1,038,197	\$ 53,764
General Fund - Transfers Out	-	30,565	30,565
Total	\$ 984,433	\$ 1,068,762	\$ 84,329

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

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### Independent Auditor's Report

Board of County Commissioners  
Foster County  
Carrington, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Foster County as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Foster County's basic financial statements, and have issued our report thereon dated October 14, 2024.

### **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 2014-001 through 2014-004 we consider to be material weaknesses.



**FOSTER COUNTY**

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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Foster County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying *schedule of audit findings* as item 2014-004.

**Foster County's Response to Findings**

Foster County's response to the findings identified in our audit is described in the accompanying *schedule of audit 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  
October 14, 2024

**FOSTER COUNTY**

Summary of Auditor's Results

For the Years Ended December 31, 2014 and 2013

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**Financial Statements**

Type of Report Issued?	
Governmental Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Internal control over financial reporting**

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

## **FOSTER COUNTY**

Schedule of Audit Findings

For the Years Ended December 31, 2014 and 2013

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### **2014-001 – 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 an accurate listing of accounts payable, and capital assets which include retainage payable which are used in the preparation of its financial statements.

#### **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**

No.

#### **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.

**FOSTER COUNTY**

Summary of Auditor’s Results and Findings - Continued

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**2014-002- LACK OF SEGREGATION OF DUTIES – COMPONENT UNIT – MATERIAL WEAKNESS**

**Condition**

The Foster County Water Resource District has 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 district.

**Cause**

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

**Effect**

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

**Repeat Finding**

No.

**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**

Summary of Auditor's Results and Findings - Continued

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**2014-003 – AUDIT ADJUSTMENTS – COMPONENT UNIT – MATERIAL WEAKNESS**

**Condition**

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

**Cause**

Foster County Water Resource District does not have sufficient procedures in place to ensure an accurate listing of accounts payables which are used in the preparation of its financial statements.

**Effect**

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

**Repeat Finding**

No.

**Recommendation**

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

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

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

**FOSTER COUNTY**

Summary of Auditor's Results and Findings - Continued

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**2014-004 – BUDGET PREPARATION – MATERIAL WEAKNESS & MATERIAL NONCOMPLIANCE**

**Condition**

Foster County did not prepare a budget in compliance with all attributes of N.D.C.C. §11-23-02 for 2014.

**Criteria**

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.

**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**

No.

**Recommendation**

We recommend that Foster County ensure its in compliance with all aspects of N.D.C.C §11-23-02.

**Foster County's Response**

We Agree. Foster County will review its budget processes to ensure that its budget meets the requirements of N.D.C.C §11-23-02.



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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