



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, 2016 and December 31, 2015

Client Code: PS16000



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Office of the
State Auditor

FOSTER COUNTY

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FOSTER COUNTY

County Officials
December 31, 2016 and 2015

COUNTY OFFICIALS

At December 31, 2016

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

At December 31, 2015

Chairman	Pat Copenhaver
Vice Chairman	Josh Dreher
Commissioner	Roger Gussiaas
County Auditor	Casey Cables
County Treasurer	Dianne Hertel
County Recorder	Lynlle Lyman Hoppe
Sheriff	Ian Mattice
State's Attorney	Paul Murphy

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Foster County
Carrington, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Foster County, North Dakota, as of and for the years ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements, which collectively comprise Foster County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Foster County, North Dakota, as of December 31, 2016 and December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

FOSTER COUNTY

Independent Auditor's Report - Continued

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, Foster County adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

Change in Reporting Entity

As discussed in Note 2 to the financial statements, Foster County Weed Board became a discretely presented component unit of Foster County. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2025 on our consideration of Foster County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Foster County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foster County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
January 15, 2025

FOSTER COUNTY
Statement of Net Position
December 31, 2016

	Primary Government	Component Unit	Component Unit
	Governmental Activities	Water Resource District	Weed Board
ASSETS			
Cash and Investments	\$ 3,934,135	\$ 25,251	\$ 100,667
Intergovernmental Receivable	129,409	-	-
Accounts Receivable	6,920	-	-
Road Receivables	286,181	-	-
Due from County	-	7,753	529
Taxes Receivable	19,284	775	561
Other Assets	265	-	-
Inventory	-	-	3,748
Prepaid Assets	-	-	53,509
Capital Assets			
Nondepreciable	1,501,254	-	-
Depreciable, Net	5,757,613	-	12,000
Total Assets	<u>\$ 11,635,061</u>	<u>\$ 33,779</u>	<u>\$ 171,014</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 361,187	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 11,996,248</u>	<u>\$ 33,779</u>	<u>\$ 171,014</u>
LIABILITIES			
Accounts Payable	\$ 104,376	\$ 4,802	\$ -
Salaries Payable	45,475	-	549
Grant Received in Advance	207,061	-	-
Retainage Payable	24,962	-	-
Interest Payable	10,885	-	-
Long-Term Liabilities			
Due Within One Year			
Compensated Absences Payable	6,317	-	-
Long Term Debt	106,409	-	-
Due After One Year			
Compensated Absences Payable	56,851	-	-
Long Term Debt	449,356	-	-
Net Pension Liability	1,002,354	-	-
Total Liabilities	<u>\$ 2,014,046</u>	<u>\$ 4,802</u>	<u>\$ 549</u>
DEFERRED INFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 214,113	-	-
Taxes Received in Advance	481,831	-	-
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,709,990</u>	<u>\$ 4,802</u>	<u>\$ 549</u>
NET POSITION			
Net Investment in Capital Assets	\$ 6,703,102	-	-
Restricted			
Public Safety	236,820	-	-
Highways	1,422,883	-	-
Culture and Recreation	10,058	-	-
Conservation of Natural Resources	-	28,977	170,465
Economic Development	39,342	-	-
Emergencies	87,233	-	-
Unrestricted	<u>786,820</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 9,286,258</u>	<u>\$ 28,977</u>	<u>\$ 170,465</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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Water Resource District	Component Unit Weed Board
Primary Government							
General Government	\$ 887,194	\$ 28,359	\$ -	\$ -	\$ (858,835)		
Public Safety	446,395	67,521	59,109	-	(319,765)		
Highways	860,002	272,291	392,313	1,440,177	1,244,779		
Health and Welfare	789,400	166,723	126,156	-	(496,521)		
Culture and Recreation	23,758	-	-	-	(23,758)		
Conservation of Natural Resources	100,449	4,185	-	-	(96,264)		
Interest Expense on Long-Term Debt	9,945	-	-	-	(9,945)		
Total Primary Government	\$ 3,117,143	\$ 539,079	\$ 577,578	\$ 1,440,177	\$ (560,309)		
Component Unit							
Water Resource District	\$ 100,781	\$ -	\$ 38,196	\$ -		\$ (62,585)	\$ -
Weed Board	115,176	48,185	5,272	-		-	(61,719)
General Revenues							
Property Taxes					\$ 1,975,243	\$ 91,072	\$ 53,596
Grants and Contributions Not Restricted to Specific Programs					386,993	-	-
Loss on Sale of Assets					(2,174)	-	-
Interest Revenue					16,710	6	-
Miscellaneous Revenue					23,410	417	15
Total General Revenues					\$ 2,400,182	\$ 91,495	\$ 53,611
Change in Net Position					\$ 1,839,873	\$ 28,910	\$ (8,108)
Net Position - January 1					\$ 7,624,960	\$ 67	\$ -
Prior Period Adjustment					\$ (178,575)	\$ -	\$ 178,573
Net Position - January 1 as restated					\$ 7,446,385	\$ 67	\$ 178,573
Net Position - December 31					\$ 9,286,258	\$ 28,977	\$ 170,465

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

FOSTER COUNTY

Balance Sheet – Governmental Funds
December 31, 2016

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 1,403,219	\$ 2,530,916	\$ 3,934,135
Intergovernmental Receivable	90,465	38,944	129,409
Accounts Receivable	6,920	-	6,920
Road Receivables	-	286,181	286,181
Taxes Receivable	8,921	10,363	19,284
Other Assets	265	-	265
Total Assets	\$ 1,509,790	\$ 2,866,404	\$ 4,376,194
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 722	\$ 103,654	\$ 104,376
Salaries & Benefits Payable	19,013	26,462	45,475
Grants Received in Advance	-	207,061	207,061
Retainage Payable	-	24,962	24,962
Total Liabilities	\$ 19,735	\$ 362,139	\$ 381,874
Deferred Inflows of Resources			
Taxes Receivable	\$ 8,921	\$ 10,363	\$ 19,284
Taxes Received in Advance	199,015	282,816	481,831
Road Receivables	-	286,181	286,181
Total Deferred Inflows of Resources	\$ 207,936	\$ 579,360	\$ 787,296
Total Liabilities and Deferred Inflows of Resources	\$ 227,671	\$ 941,499	\$ 1,169,170
Fund Balances			
Restricted			
Public Safety	\$ -	\$ 244,837	\$ 244,837
Highways	-	1,328,866	1,328,866
Health and Welfare	-	201,956	201,956
Culture and Recreation	-	10,058	10,058
Conservation of Natural Resources	-	2,241	2,241
Emergency	-	87,233	87,233
General Government	-	12,125	12,125
Economic Development	-	38,794	38,794
Unassigned			
General Fund	1,282,119	-	1,282,119
Negative Fund Balance	-	(1,205)	(1,205)
Total Fund Balances	\$ 1,282,119	\$ 1,924,905	\$ 3,207,024
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,509,790	\$ 2,866,404	\$ 4,376,194

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

FOSTER COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position December 31, 2016

Total Fund Balances for Governmental Funds \$ 3,207,024

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. 7,258,867

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	\$ 19,284	
Road receivables	286,181	305,465
	<hr/>	

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

Deferred outflows derived from pensions	\$ 361,187	
Deferred inflows derived from pensions	(214,113)	147,074
	<hr/>	

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	\$ (63,168)	
Interest Payable	(10,885)	
Long Term Debt	(555,765)	
Net Pension Liability	(1,002,354)	(1,632,172)
	<hr/>	<hr/>

Total Net Position of Governmental Activities \$ 9,286,258

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, 2016

	General	Special Revenue	Total Governmental Funds
REVENUES			
Taxes	\$ 1,068,043	\$ 922,620	\$ 1,990,663
Intergovernmental	445,614	1,864,403	2,310,017
Charges for Services	24,901	371,534	396,435
Licenses, Permits and Fees	8,127	125	8,252
Interest Income	16,710	-	16,710
Miscellaneous	14,038	9,372	23,410
Total Revenues	\$ 1,577,433	\$ 3,168,054	\$ 4,745,487
EXPENDITURES			
Current			
General Government	\$ 832,432	\$ 12,644	\$ 845,076
Public Safety	360,664	67,656	428,320
Highways	-	2,710,792	2,710,792
Health and Welfare	-	769,087	769,087
Culture and Recreation	12,558	10,000	22,558
Conser. of Natural Resources	7,527	90,178	97,705
Debt Service			
Principal	-	17,766	17,766
Interest & Service Charges	-	918	918
Total Expenditures	\$ 1,213,181	\$ 3,679,041	\$ 4,892,222
Excess (Deficiency) of Revenues Over Expenditures	\$ 364,252	\$ (510,987)	\$ (146,735)
OTHER FINANCING SOURCES (USES)			
Sale of Capital Asset	\$ -	\$ 119,072	\$ 119,072
Loan Proceeds	-	320,000	320,000
Lease Financing	-	235,765	235,765
Transfers In	-	131,336	131,336
Transfers Out	(481)	(130,855)	(131,336)
Total Other Financing Sources and Uses	\$ (481)	\$ 675,318	\$ 674,837
Net Change in Fund Balances	\$ 363,771	\$ 164,331	\$ 528,102
Fund Balance - January 1	\$ 712,926	\$ 2,130,171	\$ 2,843,097
Fund Reclassification	\$ 205,422	\$ (369,597)	\$ (164,175)
Fund Balance - January 1 as restated	\$ 918,348	\$ 1,760,574	\$ 2,678,922
Fund Balance - December 31	\$ 1,282,119	\$ 1,924,905	\$ 3,207,024

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

FOSTER COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities For the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 528,102

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	\$ 787,645	
Current Year Capital Contribution	1,440,177	
Current Year Depreciation	<u>(316,434)</u>	1,911,388

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.

Loss on Sale of Capital Assets		(2,174)
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The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities.

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

Lease Financing	\$ (235,765)	
Cash Proceeds from Sale of Capital Assets	(119,072)	
Loan Proceeds	(320,000)	
Repayment of debt	<u>17,766</u>	(657,071)

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	\$ (10,776)	
Increase in Interest Payable	<u>(9,027)</u>	(19,803)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Decrease in Taxes Receivable	\$ (15,420)	
Increase in Road Receivable	<u>134,393</u>	118,973

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

Increase in Net Pension & OPEB Liability	\$ (384,391)	
Increase in Deferred Outflows of Resources	282,962	
Decrease in Deferred Inflows of Resources	<u>61,887</u>	<u>(39,542)</u>

Change in Net Position of Governmental Activities \$ 1,839,873

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

FOSTER COUNTY
Statement of Net Position
December 31, 2015

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and Investments	\$ 3,445,049	\$ 34,287
Intergovernmental Receivable	161,536	-
Road Receivables	151,788	-
Due from County	-	6,905
Taxes Receivable	34,704	905
Prepaid Expense	48,197	
Capital Assets		
Nondepreciable	251,920	-
Depreciable, Net	5,231,204	-
Total Assets	\$ 9,324,398	\$ 42,097
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pension and OPEB	\$ 78,225	\$ -
Total Assets and Deferred Outflows of Resources	\$ 9,402,623	\$ 42,097
LIABILITIES		
Accounts Payable	\$ 91,631	\$ 42,030
Salaries Payable	55,927	-
Grant Received in Advance	207,061	-
Retainage Payable	16,441	-
Interest Payable	1,858	-
Long-Term Liabilities		
Due Within One Year		
Compensated Absences Payable	5,239	-
Long Term Debt	17,766	-
Due After One Year		
Compensated Absences Payable	47,153	-
Net Pension Liability	617,962	-
Total Liabilities	\$ 1,061,038	\$ 42,030
DEFERRED INFLOWS OF RESOURCES		
Derived from Pension and OPEB	\$ 276,000	\$ -
Taxes Received in Advance	440,625	-
Total Deferred Inflows of Resources	\$ 716,625	\$ -
Total Liabilities and Deferred Inflows of Resources	\$ 1,777,663	\$ 42,030
NET POSITION		
Net Investment in Capital Assets	\$ 5,465,358	\$ -
Restricted		
Public Safety	255,762	-
Highways	1,114,337	-
Culture and Recreation	29,665	-
Conservation of Natural Resources	207,047	67
Emergencies	87,226	-
Economic Development	39,785	-
Unrestricted	425,780	-
Total Net Position	\$ 7,624,960	\$ 67

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

FOSTER COUNTY
Statement of Activities
For the Year Ended December 31, 2015

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	Component
					Governmental Activities	Unit Water Resource District
Primary Government						
General Government	\$ 917,004	\$ 56,887	\$ 83,824	\$ 75,236	\$ (701,057)	
Public Safety	381,079	60,063	1,013	-	(320,003)	
Highways	1,205,199	149,088	455,799	-	(600,312)	
Health and Welfare	808,594	34,384	219,079	-	(555,131)	
Culture and Recreation	9,371	-	42,995	-	33,624	
Conservation of Natural Resources	158,195	-	-	-	(158,195)	
Economic Development	2,538	-	-	-	(2,538)	
Interest Expense on Long-Term Debt	3,976	-	-	-	(3,976)	
Total Primary Government	\$ 3,485,956	\$ 300,422	\$ 802,710	\$ 75,236	\$ (2,307,588)	
Component Unit						
Water Resource District	\$ 101,124	\$ -	\$ 10,000	\$ -		\$ (91,124)
General Revenues						
Property Taxes					\$ 1,968,266	\$ 42,343
Grants and Contributions Not Restricted to Specific Programs					507,052	-
Interest Revenue					16,994	6
Miscellaneous Revenue					178,509	-
Total General Revenues					\$ 2,670,821	\$ 42,349
Change in Net Position					\$ 363,233	\$ (48,775)
Net Position - January 1					\$ 8,130,959	\$ 48,842
Prior Period Adjustment					\$ (869,232)	\$ -
Net Position - January 1 as restated					\$ 7,261,727	\$ 48,842
Net Position - December 31					\$ 7,624,960	\$ 67

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

FOSTER COUNTY

Balance Sheet – Governmental Funds
December 31, 2015

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 853,430	\$ 2,591,619	\$ 3,445,049
Intergovernmental Receivable	112,448	49,088	161,536
Accounts Receivable	-	-	-
Road Receivables	-	151,788	151,788
Taxes Receivable	8,087	26,617	34,704
Prepaid Expense	-	48,197	48,197
Total Assets	\$ 973,965	\$ 2,867,309	\$ 3,841,274
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 5,264	\$ 86,367	\$ 91,631
Salaries & Benefits Payable	18,654	37,273	55,927
Retainage Payable	-	16,441	16,441
Grants Received in Advance	-	207,061	207,061
Total Liabilities	\$ 23,918	\$ 347,142	\$ 371,060
Deferred Inflows of Resources			
Taxes Receivable	\$ 8,087	\$ 26,617	\$ 34,704
Taxes Received in Advance	229,034	211,591	440,625
Road Receivables	-	151,788	151,788
Total Deferred Inflows of Resources	\$ 237,121	\$ 389,996	\$ 627,117
Total Liabilities and Deferred Inflows of Resources	\$ 261,039	\$ 737,138	\$ 998,177
Fund Balances			
Nonspendable			
Prepaid Expense	\$ -	\$ 48,197	\$ 48,197
Restricted			
Public Safety	-	257,366	257,366
Highways	-	1,141,047	1,141,047
Health and Welfare	-	171,175	171,175
Culture and Recreation	-	29,665	29,665
Conservation of Natural Resources	-	156,901	156,901
Emergency	-	87,139	87,139
General Government	-	199,887	199,887
Economic Development	-	38,794	38,794
Unassigned	712,926	-	712,926
Total Fund Balances	\$ 712,926	\$ 2,130,171	\$ 2,843,097
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 973,965	\$ 2,867,309	\$ 3,841,274

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, 2015

Total Fund Balances for Governmental Funds \$ 2,843,097

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. 5,483,124

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

Property taxes receivable	34,704	
Road receivables	<u>151,788</u>	186,492

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

Deferred outflows derived from pensions	\$ 78,225	
Deferred inflows derived from pensions	<u>(276,000)</u>	(197,775)

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

Compensated absences	\$ (52,392)	
Interest Payable	(1,858)	
Long-Term Debt	(17,766)	
Net pension and OPEB liability	<u>(617,962)</u>	<u>(689,978)</u>

Total Net Position of Governmental Activities \$ 7,624,960

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, 2015

	General	Special Revenue	Total Governmental Funds
REVENUES			
Taxes	\$ 489,269	\$ 1,468,216	\$ 1,957,485
Intergovernmental	660,086	724,911	1,384,997
Charges for Services	47,024	255,987	303,011
Licenses, Permits and Fees	4,440	-	4,440
Interest Income	16,994	-	16,994
Miscellaneous	7,795	170,714	178,509
Total Revenues	\$ 1,225,608	\$ 2,619,828	\$ 3,845,436
EXPENDITURES			
Current			
General Government	\$ 678,547	\$ 316,410	\$ 994,957
Public Safety	312,082	83,287	395,369
Highways	24,891	1,304,245	1,329,136
Health and Welfare	-	873,653	873,653
Culture and Recreation	-	9,371	9,371
Conser. of Natural Resources	46,143	108,452	154,595
Emergency	-	863	863
Debt Service			
Principal	-	55,393	55,393
Interest & Service Charges	-	3,101	3,101
Total Expenditures	\$ 1,061,663	\$ 2,754,775	\$ 3,816,438
Excess (Deficiency) of Revenues Over Expenditures	\$ 163,945	\$ (134,947)	\$ 28,998
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ -	\$ 607,230	\$ 607,230
Transfers Out	(34,676)	(572,554)	(607,230)
Total Other Financing Sources and Uses	\$ (34,676)	\$ 34,676	\$ -
Net Change in Fund Balances	\$ 129,269	\$ (100,271)	\$ 28,998
Fund Balance - January 1	\$ 583,657	\$ 2,230,442	\$ 2,814,099
Fund Balance - December 31	<u>\$ 712,926</u>	<u>\$ 2,130,171</u>	<u>\$ 2,843,097</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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 28,998

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	\$ 455,122	
Current Year Capital Contribution	75,236	
Current Year Depreciation	<u>(301,559)</u>	228,799

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	\$ (6,330)	
Increase in Interest Payable	(875)	(7,205)

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	\$ 10,781	
Decrease in Road Receivable	<u>(7,029)</u>	3,752

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

Decrease in Net Pension & OPEB Liability	\$ 173,561	
Increase in Deferred Outflows of Resources	1,426	
Increase in Deferred Inflows of Resources	<u>(121,492)</u>	<u>53,495</u>

Change in Net Position of Governmental Activities \$ 363,233

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

FOSTER COUNTYStatement of Fiduciary Assets and Liabilities – Agency Funds
December 31, 2016 and December 31, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 994,386</u>	<u>\$ 807,238</u>
LIABILITIES		
Due to Other Governments	<u>\$ 994,386</u>	<u>\$ 807,238</u>

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

FOSTER COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

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

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

Foster County Weed Board. The Foster County Water Resource District ("Water Resource District") governing board is appointed by the County's governing body. The County's governing body has the authority to disapprove, amend, or approve the Weed Board budget.

Basis of Presentation

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

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

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

FOSTER COUNTY

Notes to the Financial Statements – Continued

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fund type:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

Cash, Cash Equivalents, and Investments

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

Capital Assets

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

FOSTER COUNTY

Notes to the Financial Statements – Continued

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

Assets	Years
Buildings	50 - 100
Equipment	5 - 10
Vehicles	10
Infrastructure	25 - 50

Compensated Absences

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

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

Long-Term Obligations

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

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

Pension

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

Fund Balances

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

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

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

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

FOSTER COUNTY

Notes to the Financial Statements – Continued

Net Position

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

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

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

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

Interfund Transactions

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

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

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

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle – GASB 68 and 71 - NPL:

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Adjustments to beginning net position are as follows:

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

FOSTER COUNTY

Notes to the Financial Statements – Continued

Fund Reclassification & Foster County Weed Board

Net Position/Fund Balance as of January 1, 2016 has been restated for the following fund reclassifications as shown below. The results of the fund reclassification increased the General Fund and decreased the Special Revenue Fund beginning balance. Additionally, the Net Position of the Foster County Weed Board has been restated for an opening balance adjustment to properly include the Weed Board as a discretely presented component unit. Previously, the Weed Board had been a part of the special revenue fund but it became a discretely presented component unit during 2016. The results of the adjustment increased the beginning net position of the Weed Board. Adjustments to the beginning Fund Balance/Net Position are as follows:

	Governmental Activities	General Fund	Special Revenue Fund	Weed Board
Beginning Net Positon/Fund Balance, as previously reported	\$ 7,624,960	\$ 712,926	\$ 2,130,171	\$ -
Adjustment to restate the January 1, 2016 Net Position/Fund Balance				
Weed Board Component Unit Recalssification	(164,175)	-	(164,175)	164,173
Technology/Social Security Reclassed to General Fund	-	294,032	(294,032)	-
Health Insurance Reclassed to General Fund	-	(98,216)	98,216	-
County Park Reclassed to General Fund	-	9,606	(9,606)	-
Weed Board Capital Asset Transfer from County	(14,400)	-	-	14,400
Net Position/Fund Balance January 1, as restated	\$ 7,446,385	\$ 918,348	\$ 1,760,574	\$ 178,573

NOTE 3 DEPOSITS**Custodial Credit Risk**

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

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

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

At year ended December 31, 2016, the County's carrying amount of deposits totaled \$5,527,905, and the bank balances totaled \$4,976,737. Of the bank balances, \$3,117,483 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, 2015, the County's carrying amount of deposits totaled \$2,936,997, and the bank balances totaled \$4,092,520. Of the deposits, a total of \$2,237,738 was covered by FDIC Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2016, the Water Resource District's carrying amount of deposits totaled \$25,251, and the bank balances totaled \$51,968, all of which were covered by Federal Depository Insurance.

FOSTER COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2015, the Water Resource District’s carrying amount of deposits totaled \$34,288, and the bank balances totaled \$42,607, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2016, the Weed Board’s carrying amount of deposits totaled \$100,654, and the bank balances totaled \$100,668, all of which were covered by Federal Depository Insurance.

NOTE 4 PROPERTY TAXES

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

NOTE 5 CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the years ended December 31, 2016 and 2015 respectively:

	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Primary Government - 2016					
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	251,920	1,705,024	-	(455,690)	1,501,254
Total capital assets not being depreciated	\$ 251,920	\$ 1,705,024	\$ -	\$ (455,690)	\$ 1,501,254
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 371,020	\$ -	\$ -	\$ -	\$ 371,020
Equipment	1,380,885	629,800	(506,866)	-	1,503,819
Buildings	1,371,372	-	-	455,690	1,827,062
Infrastructure	4,073,234	-	-	-	4,073,234
Total capital assets, being depreciated	\$ 7,196,511	\$ 629,800	\$ (506,866)	\$ 455,690	\$ 7,775,135
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 206,217	\$ 22,702	\$ -	\$ -	\$ 228,919
Equipment	675,411	137,314	(278,619)	-	534,106
Buildings	805,474	31,259	-	-	836,733
Infrastructure	292,605	125,159	-	-	417,764
Total accumulated depreciation	\$ 1,979,707	\$ 316,434	\$ (278,619)	\$ -	\$ 2,017,522
Total capital assets being depreciated, net	\$ 5,216,804	\$ 313,366	\$ (228,247)	\$ 455,690	\$ 5,757,613
Total capital assets, net	\$ 5,468,724	\$ 2,018,390	\$ (228,247)	\$ -	\$ 7,258,867

FOSTER COUNTY

Notes to the Financial Statements – Continued

Primary Government - 2015	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	1,922,506	350,334	-	(2,020,920)	251,920
Total capital assets not being depreciated	\$ 1,922,506	\$ 350,334	\$ -	\$ (2,020,920)	\$ 251,920
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 325,168	\$ 104,788	\$ -	\$ -	\$ 429,956
Equipment	1,305,649	75,236	-	-	1,380,885
Buildings	1,371,372	-	-	-	1,371,372
Infrastructure	2,052,314	-	-	2,020,920	4,073,234
Total capital assets, being depreciated	\$ 5,054,503	\$ 180,024	\$ -	\$ 2,020,920	\$ 7,255,447
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 223,671	\$ 27,082	\$ -	\$ -	\$ 250,753
Equipment	545,960	129,451	-	-	675,411
Buildings	785,607	19,867	-	-	805,474
Infrastructure	167,446	125,159	-	-	292,605
Total accumulated depreciation	\$ 1,722,684	\$ 301,559	\$ -	\$ -	\$ 2,024,243
Total capital assets being depreciated, net	\$ 3,331,819	\$ (121,535)	\$ -	\$ 2,020,920	\$ 5,231,204
Total capital assets, net	\$ 5,254,325	\$ 228,799	\$ -	\$ -	\$ 5,483,124

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

Primary Government	2016	2015
General Government	\$ 22,873	\$ 22,873
Public Safety	12,439	13,549
Highways	270,718	252,333
Health and Welfare	7,529	7,529
Emergency Management	1,675	1,675
Conservation of Natural Resources	1,200	3,600
Total Depreciation Expense	\$ 316,434	\$ 301,559

Discretely Presented Component Unit

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

Weed Board - 2016	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets, being depreciated</i>					
Vehicles	\$ 24,000	\$ -	\$ -	\$ -	\$ 24,000
Total capital assets, being depreciated	\$ 24,000	\$ -	\$ -	\$ -	\$ 24,000
<i>Less accumulated depreciation for</i>					
Vehicles	\$ 9,600	\$ 2,400	\$ -	\$ -	\$ 12,000
Total capital assets, net	\$ 14,400	\$ (2,400)	\$ -	\$ -	\$ 12,000

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

FOSTER COUNTY

Notes to the Financial Statements – Continued

NOTE 6 LONG-TERM LIABILITIES

Primary Government

During the years ended December 31, 2016 and 2015 respectively, the following changes occurred in governmental activities long-term liabilities:

Primary Government - 2016	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Capital Lease Payable	\$ 17,766	\$ 235,765	\$ 17,766	\$ 235,765	\$ 30,956
Loans Payable	-	320,000	-	320,000	75,453
Total Long Term Debt	\$ 17,766	\$ 555,765	\$ 17,766	\$ 555,765	\$ 106,409
Compensated Absences *	\$ 52,392	\$ 10,776	\$ -	\$ 63,168	\$ 6,317
Net Pension and OPEB Liability *	617,962	384,392	-	1,002,354	-
Total Long Term Liabilities	\$ 705,886	\$ 1,506,698	\$ 35,532	\$ 2,177,052	\$ 219,135

Primary Government - 2015	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Capital Lease Payable	\$ 73,160	\$ -	\$ 55,394	\$ 17,766	\$ 17,766
Compensated Absences *	\$ 46,062	\$ 6,330	\$ -	\$ 52,392	\$ 5,239
Net Pension and OPEB Liability *	791,523	-	173,561	617,962	-
Total Long Term Liabilities	\$ 910,745	\$ 6,330	\$ 228,955	\$ 688,120	\$ 23,005

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

Primary Government				
Year Ending December 31	Capital Leases		Loans Payable	
	Principal	Interest	Principal	Interest
2017	\$ 30,956	\$ 6,603	\$ 75,453	\$ 12,864
2018	31,822	5,737	78,486	9,831
2019	32,713	4,846	81,641	6,676
2020	33,629	3,931	84,421	3,896
2021	34,570	2,989	-	-
2022-2026	72,075	3,044	-	-
Totals	\$ 235,765	\$ 27,150	\$ 320,001	\$ 33,267

NOTE 7 PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

FOSTER COUNTY

Notes to the Financial Statements – Continued

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

FOSTER COUNTY

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2016 and 2015, Foster County reported a liability of \$1,002,354 and \$617,962. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The district’s proportion of the net pension liability was based on the district’s share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016 and 2015, the County’s proportion was .102848 and .090879 percent, respectively, which was an increase of .011969 percent from its proportion measured as of June 30, 2015.

For the years ended December 31, 2016 and 2015, the County recognized pension expense of \$108,662 and \$19,955. At December 31, 2016 and 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government - 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 15,057	\$ 9,281
Changes in Assumptions	92,404	49,797
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	139,843	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	70,819	155,035
Contributions - Employer	43,064	-
Total Deferred Outflow and Inflow of Resources	\$ 361,187	\$ 214,113

Primary Government - 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 17,928	\$ -
Changes in Assumptions	-	55,057
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	13,045
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	13,909	207,898
Contributions - Employer	46,388	-
Total Deferred Outflow and Inflow of Resources	\$ 78,225	\$ 276,000

\$43,064 and \$46,388 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017 by the County.

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

FOSTER COUNTY

Notes to the Financial Statements – Continued

2017	\$	9,454
2018		9,545
2019		40,051
2020		17,714
2021		27,155
Thereafter		-

Actuarial Assumptions

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

Inflation	3.50%
Salary Increases	4.5% per annum
Investment Rate of Return	8.00%, Net of Investment Expenses
Cost-of-Living Adjustments	None

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to und benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June

FOSTER COUNTY

Notes to the Financial Statements – Continued

30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Primary Government - 2016			
Proportionate Share of the Net Pension Liability	\$ 1,421,820	\$ 1,002,354	\$ 648,932

Pension Plan Fiduciary Net Position

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

NOTE 8 TRANSFERS

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

2016	Transfers In	Transfers Out
Major Funds		
General Fund	\$ -	\$ 481
Special Revenue Fund	131,336	130,855
Total Transfers	\$ 131,336	\$ 131,336

2015	Transfers In	Transfers Out
Major Funds		
General Fund	\$ -	\$ 34,676
Special Revenue Fund	607,230	572,554
Total Transfers	\$ 607,230	\$ 607,230

NOTE 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. For the County the coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, two million for automobile, and \$2,114,524 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.

FOSTER COUNTY

Notes to the Financial Statements – Continued

The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$1,653,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 10: SUBSEQUENT EVENTS

The County had the following events occur after the year end of 2016:

From 2017 through 2018, the County spent \$1,330,402 on the McHenry Paving road project CNOB-CNOB1602(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.

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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 2016:

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

FOSTER COUNTY

Budgetary Comparison Schedule – General Fund For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Original	Amended	Actual	Variance with Final Budget	Original	Amended	Actual	Variance with Final Budget
	Budget	Budget			Budget	Budget		
REVENUES								
Taxes	\$ -	\$ -	\$ 1,068,043	\$ 1,068,043	\$ -	\$ -	\$ 489,269	\$ 489,269
Intergovernmental	-	-	445,614	445,614	-	-	660,086	660,086
Charges for Services	-	-	24,901	24,901	-	-	47,024	47,024
Licenses, Permits and Fees	-	-	8,127	8,127	-	-	4,440	4,440
Interest Income	-	-	16,710	16,710	-	-	16,994	16,994
Miscellaneous	-	-	14,038	14,038	-	-	7,795	7,795
Total Revenues	\$ -	\$ -	\$ 1,577,433	\$ 1,577,433	\$ -	\$ -	\$ 1,225,608	\$ 1,225,608
EXPENDITURES								
Current								
General Government	\$ 1,358,793	\$ 1,358,793	\$ 832,432	\$ 526,361	\$ 702,140	\$ 702,140	\$ 678,547	\$ 23,593
Public Safety	294,518	294,518	360,664	(66,146)	289,409	289,409	312,082	(22,673)
Highways	-	-	-	-	-	-	24,891	(24,891)
Culture and Recreation	8,299	8,299	12,558	(4,259)	-	-	-	-
Conservation of Natural Resources	7,500	7,500	7,527	(27)	46,000	46,000	46,143	(143)
Total Expenditures	\$ 1,669,110	\$ 1,669,110	\$ 1,213,181	\$ 455,929	\$ 1,037,549	\$ 1,037,549	\$ 1,061,663	\$ (24,114)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,669,110)	\$ (1,669,110)	\$ 364,252	\$ 2,033,362	\$ (1,037,549)	\$ (1,037,549)	\$ 163,945	\$ 1,201,494
OTHER FINANCING SOURCES (USES)								
Transfers Out	\$ -	\$ -	\$ (481)	\$ (481)	\$ -	\$ -	\$ (34,676)	\$ (34,676)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (481)	\$ (481)	\$ -	\$ -	\$ (34,676)	\$ (34,676)
Net Change in Fund Balance	\$ (1,669,110)	\$ (1,669,110)	\$ 363,771	\$ 2,032,881	\$ (1,037,549)	\$ (1,037,549)	\$ 129,269	\$ 1,166,818
Fund Balance - January 1	\$ 712,926	\$ 712,926	\$ 712,926	\$ -	\$ 583,657	\$ 583,657	\$ 583,657	\$ -
Fund Reclassification	\$ -	\$ -	\$ 205,422	\$ (205,422)	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1 Restated	\$ 918,348	\$ 918,348	\$ 918,348	\$ -	\$ 583,657	\$ 583,657	\$ 583,657	\$ -
Fund Balance - December 31	\$ (750,762)	\$ (750,762)	\$ 1,282,119	\$ 2,032,881	\$ (453,892)	\$ (453,892)	\$ 712,926	\$ 1,166,818

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

FOSTER COUNTY

Budgetary Comparison Schedule – Special Revenue Fund For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Original	Amended	Actual	Variance with Final Budget	Original	Amended	Actual	Variance with Final Budget
	Budget	Budget			Budget	Budget		
REVENUES								
Taxes	\$ -	\$ -	\$ 922,620	\$ 922,620	\$ -	\$ -	\$ 1,468,216	\$ 1,468,216
Intergovernmental	-	-	1,864,403	1,864,403	-	-	724,911	724,911
Charges for Services	-	-	371,534	371,534	-	-	255,987	255,987
Miscellaneous	-	-	9,372	9,372	-	-	170,714	170,714
Total Revenues	\$ -	\$ -	\$ 3,168,054	\$ 3,168,054	\$ -	\$ -	\$ 2,619,828	\$ 2,619,828
EXPENDITURES								
Current								
General Government	\$ 57,000	\$ 57,000	\$ 12,644	\$ 44,356	\$ 246,275	\$ 246,275	\$ 316,410	\$ (70,135)
Public Safety	-	-	67,656	(67,656)	6,814	6,814	83,287	(76,473)
Highways	2,348,133	2,348,133	2,710,792	(362,659)	4,165,070	4,165,070	1,304,245	2,860,825
Health and Welfare	633,891	633,891	769,087	(135,196)	128,869	128,869	873,653	\$ (744,784)
Culture and Recreation	-	-	10,000	(10,000)	10,806	10,806	9,371	1,435
Conser. of Natural Resources	92,905	92,905	90,178	2,727	-	-	108,452	(108,452)
Emergency	-	-	-	-	-	-	863	(863)
Debt Service								
Principal	-	-	17,766	17,766	-	-	55,393	(55,393)
Interest	-	-	918	918	-	-	3,101	(3,101)
Total Expenditures	\$ 3,131,929	\$ 3,131,929	\$ 3,679,041	\$ (509,744)	\$ 4,557,834	\$ 4,557,834	\$ 2,754,775	\$ 1,803,059
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,131,929)	\$ (3,131,929)	\$ (510,987)	\$ 2,620,942	\$ (4,557,834)	\$ (4,557,834)	\$ (134,947)	\$ 4,422,887
OTHER FINANCING SOURCES (USES)								
Sale of Capital Assets	\$ -	\$ -	\$ 119,072	\$ 119,072	\$ -	\$ -	\$ -	\$ -
Loan Proceeds	-	-	320,000	320,000	-	-	-	-
Lease Financing	-	-	235,765	235,765	-	-	-	-
Transfers In	-	-	131,336	131,336	-	-	607,230	607,230
Transfers Out	(200,000)	(200,000)	(130,855)	69,145	-	-	(572,554)	(572,554)
Total Other Financing Sources and Uses	\$ (200,000)	\$ (200,000)	\$ 675,318	\$ 875,318	\$ -	\$ -	\$ 34,676	\$ 34,676
Net Change in Fund Balances	\$ (3,331,929)	\$ (3,331,929)	\$ 164,331	\$ 3,496,260	\$ (4,557,834)	\$ (4,557,834)	\$ (100,271)	\$ 4,457,563
Fund Balance - January 1	\$ 2,130,171	\$ 2,130,171	\$ 2,130,171	\$ -	\$ 2,230,442	\$ 2,230,442	\$ 2,230,442	\$ -
Fund Reclassification	\$ -	\$ -	\$ (369,597)	\$ (115,976)	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1 Restated	\$ 1,760,574	\$ 1,760,574	\$ 1,760,574	\$ -	\$ 2,230,442	\$ 2,230,442	\$ 2,230,442	\$ -
Fund Balance - December 31	\$ (1,571,355)	\$ 1,760,574	\$ 1,924,905	\$ 3,496,260	\$ (2,327,392)	\$ 2,230,442	\$ 2,130,171	\$ 4,457,563

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

FOSTER COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
 For the Years Ended December 31, 2016 and 2015

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.102848%	\$ 1,002,354	\$ 1,036,466	96.71%	70.46%
2015	0.090879%	617,962	809,624	76.33%	77.15%
2014	0.179026%	3,021,259	1,050,477	287.61%	77.70%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	\$ 75,038	\$ 72,443	\$ 2,595	\$ 1,102,231	6.57%
2015	61,497	78,199	(16,702)	1,094,541	7.14%
2014	74,794	74,794	-	1,050,477	7.12%

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end

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, 2016 and 2015

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 2016 and 2015.

NOTE 4 CHANGES OF ASSUMPTIONS

Pension

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

NOTE 5 SCHEDULE OF PENSION LIABILITY AND CONTRIBUTIONS

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

NOTE 6 EXPENDITURES IN EXCESS OF BUDGET

During fiscal years 2016 and 2015, Foster County had the following fund expenditures in excess of budgeted amounts:

Fund	Budget	Actual	Excess
2015			
General Fund	\$ 1,037,549	\$ 1,061,663	\$ 24,114
General Fund - Transfers Out	-	34,676	34,676
2016			
Special Revenue Fund	3,131,929	3,679,041	547,112
Total	\$ 4,169,478	\$ 4,775,380	\$ 605,902

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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***

Independent Auditor's Report

Board of County Commissioners
Foster County
Carrington, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Foster County as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Foster County's basic financial statements, and have issued our report thereon dated January 15, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foster County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foster County's internal control. Accordingly, we do not express an opinion on the effectiveness of Foster County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2016-001 through 2016-006 we consider to be material weaknesses.

FOSTER COUNTY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foster County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying *Schedule of Audit Findings* as item 2016-001.

Foster County's Response to Findings

Foster County's response to the findings identified in our audit is described in the accompanying *summary of auditor's results and findings*. Foster County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
January 15, 2025

FOSTER COUNTY

Summary of Auditor's Results
For the Years Ended December 31, 2016 and 2015

Financial Statements

Type of Report Issued?

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

Internal control over financial reporting

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

FOSTER COUNTY

Schedule of Audit Findings

For the Years Ended December 31, 2016 and 2015

2016-001 – COUNTY BUDGET – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition

Foster County did not prepare a budget in compliance with all attributes of N.D.C.C. §11-23-02 for 2015 or 2016 which are key components of the mill levy calculation that is determined by N.D.C.C §57-15-31(1).

Criteria

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

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

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

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

Cause

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

Effect

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

Repeat Finding

Yes.

Recommendation

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

Foster County's Response

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

2016-002 – IMPROPER BANK RECONCILIATIONS– MATERIAL WEAKNESS

Condition

During testing of the Foster County’s 2015 and 2016 cash accounts and bank reconciliations, numerous errors and unsupported amounts were noted. With the assistance of current County officials, the County and the Auditor were able to identify material audit adjustments for cash that were approved by management and are reflected in the financial statements. Overall, the total cash for 2015 was increased by a net amount of \$1,082,297. The total cash for 2016 was decreased by \$609,180. The remaining unreconciled net differences at the end of 2015 and 2016 is a negative \$19,949 and a positive \$2,032 respectively.

Criteria

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

Cause

Foster County was unable to provide support for all amounts on their initial bank reconciliations. In addition, the County was not recording all ACH type transactions in their accounting ledger on a timely basis as noted in Finding 2016-004.

Effect

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

Repeat Finding

No.

Recommendation

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

Foster County’s Response

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

2016-003 – AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

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

Criteria

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

Cause

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

Effect

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

Repeat Finding

Yes.

Recommendation

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

Foster County's Response

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

2016-004 – PAYROLL LIABILITY ERRORS – MATERIAL WEAKNESS

Condition

Foster County was not properly recording all payments made for payroll liabilities in the general ledger. This included but is not limited to payments to the IRS for federal withholding and FICA liabilities as well as payments to NDPERs for retirement and health insurance. Material audit adjustments were required to properly report cash, payroll expenses, and payroll liabilities for 2015 and 2016. These adjustments were approved by management and are reflected in the financial statements.

Criteria

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

Cause

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

Effect

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

Repeat Finding

No.

Recommendation

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

Foster County's Response

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

2016-005- LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS

Condition

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

Criteria

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

Cause

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

Effect

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

Repeat Finding

Yes.

Recommendation

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

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

Foster County's Water Resource District's Response

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

Foster County's Weed Board's Response

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

2016-006 – AUDIT ADJUSTMENTS – WATER RESOURCE DISTRICT – 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

Yes.

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.



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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