NORTH DAKOTA

OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Morton County

Mandan, North Dakota

Audit Report for the Year Ended December 31, 2019

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Office of the State Auditor

MORTON COUNTY

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MORTON COUNTY

County Officials and Audit Personnel
December 31, 2019

COUNTY OFFICIALS

Cody Schulz	Commissioner – Chairman
Andrew Zachmeier	Commissioner – Vice Chairman
Bruce Strinden	Commissioner
Ron Leingang	Commissioner
Jackie Buckley	Commissioner
Dawn Rhone	Auditor
Kari Katzenbuhler	Treasurer
Allan Koppy	States Attorney
Kyle Kirchmeier	Sheriff
Nancy Seefeldt	County Recorder
Dale Ekstrom	Superintendent of Schools

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Michael Scherr	Audit In-Charge

STATE AUDITOR
Joshua C. Gallion

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morton County
Mandan, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Morton 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 discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, Mandan, North Dakota, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. 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 information, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and the 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 June 9, 2020 on our consideration of Morton 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 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 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 Morton County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 9, 2020

MORTON COUNTY
Statement of Net Position
December 31, 2019

	Primary Government	Component Units	
	Governmental Activities	Morton Co. Water Resource District	Lower Heart Water Resource District
ASSETS			
Cash and Investments	$ 15,232,626	$ 1,254,852	$ 396,950
Restricted Cash & Investments	760,744	1,431,739	-
Restricted Cash & Investments With Fiscal Agent	2,288,942	154,233	-
Accounts Receivable	256,734	151,994	-
Due from County Treasurer	-	529	-
Intergovernmental Receivable	844,477	-	-
Prepaid Expense	807		
Other Receivables	-	5,355	-
Taxes Receivable	243,063	2,673	7,269
Special Assessments Receivable	656,609	55,732	
Capital Assets, Net	78,597,303	18,152,118	934,463
Total Assets	$ 98,881,305	$ 21,209,225	$ 1,338,682
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions & OPEB	$ 3,929,003	$ -	$ -
Total Assets & Deferred Outflows of Resources	$ 102,810,308	$ 21,209,225	$ 1,338,682
LIABILITIES			
Accounts Payable	$ 1,272,033	$ 47,940	$ 41,972
Salaries and Benefits Payable	702,782	-	-
Retainage Payable	224,649	-	-
Interest Payable	80,113	62,800	-
Long-Term Liabilities			
Due Within One Year			
Long Term Debt	1,069,688	118,848	17,591
Compensated Absences Payable	141,443	11,229	-
Due After One Year			
Long Term Debt	9,987,221	2,631,626	17,592
Compensated Absences Payable	1,272,984	26,201	-
Net Pension & OPEB Liability	6,996,395	-	-
Total Liabilities	$ 21,747,308	$ 2,898,644	$ 77,155
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	$ 2,753,638	$ -	$ -
Derived from Pensions & OPEB	3,775,013	-	-
Total Deferred Inflows of Resources	$ 6,528,651	$ -	$ -
Total Liabilities & Deferred Inflows of Resources	$ 28,275,959	$ 2,898,644	$ 77,155
NET POSITION			
Net Investment in Capital Assets	$ 67,540,394	$ 15,339,770	$ 934,463
Restricted			
Debt Service	3,249,764	154,233	-
Capital Projects	397,838	-	-
Highways & Public Improvement	1,631,080	-	-
Culture and Recreation	246,776	-	-
Conservation of Natural Resources	295,497	-	327,064
Emergencies	512,646	-	-
Economic Development	18,451	-	-
Dam Maintenance	-	121,417	-
Unrestricted	641,903	2,695,161	-
Total Net Position	$ 74,534,349	$ 18,310,581	$ 1,261,527

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

MORTON COUNTY
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Gov't Governmental Activities	Component Units: Morton Co. WRD	Component Units: Lower Heart WRD
Primary Government							
Governmental Activities							
General Government	$ 4,163,458	$ 660,198	$ 161,236	$ -	$ (3,342,024)	$ -	$ -
Public Safety	8,323,753	1,073,934	157,753	-	(7,092,066)	-	-
Highways & Public Improvement	5,857,643	245,616	3,639,204	98,226	(1,874,597)	-	-
Health and Welfare	3,780,848	-	3,216,692	-	(564,156)	-	-
Culture and Recreation	554,161	103,940	156,120	-	(294,101)	-	-
Conserv. of Natural Resources	681,014	-	66,991	-	(614,023)	-	-
Economic Development	124,005	-	34,339	-	(89,666)	-	-
Interest on Long-term Debt	382,435	-	-	-	(382,435)	-	-
Bond Issuance Costs	15,000	-	-	-	(15,000)	-	-
Total Governmental Activities	$ 23,882,317	$ 2,083,688	$ 7,432,335	$ 98,226	$(14,268,068)	$ -	$ -
Component Units							
Morton Co. Water Resource	$ 2,669,683	$ 2,114,079	$ 45,785	$ -	$ -	$ (509,819)	$ -
Lower Heart Water Resource	139,900	-	55,077	-	-	-	(84,823)
Total Component Units	$ 2,809,583	$ 2,114,079	$ 100,862	$ -	$ -	$ (509,819)	$ (84,823)
	General Revenues						
	Property taxes				$ 10,233,351	$ 138,814	$ 287,695
	Sales taxes				1,932,570	-	-
	Unrestricted State Revenue				2,626,320	-	-
	Interest Earnings				-	13,403	105
	Earnings on Investments				280,567	-	-
	Gain (Loss) on Sale of Capital Asset				19,619	6,288	-
	Miscellaneous				372,109	34,748	9,885
	Total General Revenues				$ 15,464,536	$ 193,253	$ 297,685
	Change in Net Position				$ 1,196,468	$ (316,566)	$ 212,862
	Net Position - January 1				$ 73,498,030	$ 18,627,147	$ 1,048,665
	Prior Period Adjustment				$ (160,149)	$ -	$ -
	Net Position - January 1, as adjusted				$ 73,337,881	$ 18,627,147	$ 1,048,665
	Net Position - December 31				$ 74,534,349	$ 18,310,581	$ 1,261,527

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

MORTON COUNTY
Balance Sheet – Governmental Funds
December 31, 2019

	Major Funds				
	General	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash & Investments	$ 7,264,644	$ 7,307,106	$ 259,466	$ 401,410	$ 15,232,626
Restricted Cash & Investments	-	-	760,744	-	760,744
Restricted Cash & Investments With Fiscal Agent	-	-	2,288,942	-	2,288,942
Accounts Receivable	108,162	148,572	-	-	256,734
Intergovernmental Receivables	506,578	337,899	-	-	844,477
Interfund Loan Receivable	-	637,000	-	-	637,000
Interfund Receivable	-	594,750	-		594,750
Prepaid Expense	807	-	-	-	807
Taxes Receivable	188,746	54,317	-	-	243,063
Special Assessments Receivable	-	-	656,609	-	656,609
Total Assets	$ 8,068,937	$ 9,079,644	$ 3,965,761	$ 401,410	$ 21,515,752
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Accounts Payable	$ 525,668	$ 742,793	$ -	$ 3,572	$ 1,272,033
Salaries and Benefits Payable	508,940	193,842	-	-	702,782
Interfund Loan Payable	-	637,000	-	-	637,000
Interfund Payable		-	594,750		594,750
Total Liabilities	$ 1,034,608	$ 1,573,635	$ 594,750	$ 3,572	$ 3,206,565
Deferred Inflows of Resources:					
Taxes Receivable	$ 188,746	$ 54,317	$ -	$ -	$ 243,063
Special Assessments Receivable	-	-	656,609	-	656,609
Taxes Received in Advance	1,951,511	760,993	41,134	-	2,753,638
Total Deferred Inflows of Resources	$ 2,140,257	$ 815,310	$ 697,743	$ -	$ 3,653,310
Total Liabilities and Deferred Inflows of Resources	$ 3,174,865	$ 2,388,945	$ 1,292,493	$ 3,572	$ 6,859,875
FUND BALANCE					
Non-Spendable					
Prepaid Expense	$ 807	$ -	$ -	$ -	$ 807
Loans Payable	-	637,000	-	-	637,000
Restricted					
Debt Service	-	-	2,673,268	-	2,673,268
General Government	-	244,789	-	-	244,789
Public Safety	-	884,396	-	-	884,396
Highways & Public Improvement	-	3,743,723	-	-	3,743,723
Emergency	-	512,646	-	-	512,646
Health and Welfare	-	449,662	-	-	449,662
Culture and Recreation	-	484,435	-	-	484,435
Conservation of Natural Resources	-	352,324	-	-	352,324
Economic Development	-	16,591	-	-	16,591
Capital Projects	-	-	-	397,838	397,838
Unassigned					
General Fund	4,893,265	-	-	-	4,893,265
Negative Fund Balances	-	(634,867)	-		(634,867)
Total Fund Balances	$ 4,894,072	$ 6,690,699	$ 2,673,268	$ 397,838	$ 14,655,877
Total Liabilities and Fund Balances	$ 8,068,937	$ 9,079,644	$ 3,965,761	$ 401,410	$ 21,515,752

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

MORTON COUNTY
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2019

Total *Fund Balances* for Governmental Funds		$ 14,655,877
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.		78,597,303
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 revenues in the funds.		
Taxes Receivable	$ 243,063	
Special Assessments Receivable	656,609	899,672
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions & OPEB Items	$ 3,929,003	
Deferred Inflows Related to Pensions & OPEB Items	(3,775,013)	153,990
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.		
Long-Term Debt	$ (11,056,909)	
Interest Payable	(80,113)	
Retainage Payable	(224,649)	
Compensated Absences	(1,414,427)	
Net Pension & OPEB Liability	(6,996,395)	(19,772,493)
Total Net Position of Governmental Activities		$ 74,534,349

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

MORTON COUNTY

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

	Major Funds				
	General	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
REVENUES					
Property Taxes	$ 7,624,658	$ 2,622,579	$ -	$ -	$ 10,247,237
Sales Taxes	-	-	1,932,570	-	1,932,570
Special Assessments	-	-	156,186	-	156,186
Intergovernmental Revenues	2,690,445	7,206,975	1,881	159,354	10,058,655
Charges for Services	478,831	1,325,795	-	-	1,804,626
Licenses, Permits, & Fees	74,523	204,539	-	-	279,062
Interest Income	266,167	-	14,400	-	280,567
Miscellaneous Revenues	278,772	75,201	18,136	-	372,109
Total Revenues	$ 11,413,396	$ 11,435,089	$ 2,123,173	$ 159,354	$ 25,131,012
EXPENDITURES					
Current					
General Government	$ 3,571,738	$ 163,256	$ -	$ -	$ 3,734,994
Public Safety	6,315,367	3,724,352	-	-	10,039,719
Highways & Public Improvements	-	5,182,659	-	-	5,182,659
Health and Welfare	-	3,549,242	-	-	3,549,242
Culture and Recreation	-	703,746	-	-	703,746
Conserv. of Natural Resources	79,400	557,623	-	-	637,023
Economic Development	-	124,005	-	-	124,005
Emergency	-	-	-	-	-
Capital Outlay	-	760,283	-	76,975	837,258
Debt Service					
Principal	-	8,333	1,804,711	-	1,813,044
Interest and Service Charge	-	-	361,918	-	361,918
Total Expenditures	$ 9,966,505	$ 14,773,499	$ 2,166,629	$ 76,975	$ 26,983,608
Excess (Deficiency) of Revenues Over Expenditures	$ 1,446,891	$ (3,338,410)	$ (43,456)	$ 82,379	$ (1,852,596)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	$ -	$ -	$ 2,515,000	$ -	$ 2,515,000
Loan Proceeds	-	141,044	-	-	141,044
Debt Issuance Costs	-	-	(15,000)	-	(15,000)
Transfers In	338,794	8,006,842	159,168	50,000	8,554,804
Transfers Out	(486,925)	(4,847,794)	(3,220,085)	-	(8,554,804)
Total Other Financing Sources (Uses)	$ (148,131)	$ 3,300,092	$ (560,917)	$ 50,000	$ 2,641,044
Net Change in Fund Balances	$ 1,298,760	$ (38,318)	$ (604,373)	$ 132,379	$ 788,448
Fund Balance - January 1	$ 3,595,312	$ 6,729,017	$ 3,431,857	$ 265,459	$ 14,021,645
Prior Period Adjustment	$ -	$ -	$ (154,216)	$ -	$ (154,216)
Fund Balance - Jan. 1, as Restated	$ 3,595,312	$ 6,729,017	$ 3,277,641	$ 265,459	$ 13,867,429
Fund Balance - December 31	$ 4,894,072	$ 6,690,699	$ 2,673,268	$ 397,838	$ 14,655,877

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

MORTON 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, 2019

Net Change in *Fund Balances* - Total Governmental Funds		$ 788,448
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.		
Capital Outlay	$ 6,085,584	
Depreciation Expense	(3,326,910)	
Amortization of Intangible Assets	(24,712)	2,733,962
In the statement of activities, only the gain on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.		19,619
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 Payable	$ (354,774)	
Increase in Retainage Payable	(224,649)	
Increase in Interest Payable	(17,143)	(596,566)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term debt in the statement of net position. The issuance of long-term debt is reported as other financing sources in the governmental funds, but increases liabilities on the statement of net position.		
Amortization of Bond Discount	$ (3,375)	
Repayment of Long-Term Debt	1,813,044	
Issuance of Long-Term Debt	(2,656,044)	(846,375)
The net pension and 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 Net Pension & OPEB Liability	$ 3,244,038	
Decrease in Deferred Outflows of Resources	(1,249,530)	
Increase in Deferred Inflows of Resources	(2,825,282)	(830,774)
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	$ (13,886)	
Decrease in Special Assessment Receivable	(57,960)	(71,846)
Change in Net Position of Governmental Activities		$ 1,196,468

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

ASSETS	
Cash and Investments	$ 10,269,652
LIABILITIES	
Due to Other Governments	$ 10,269,652

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Based on these criteria, the component 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 Unit

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.

Blended Component Units

Although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Morton County Building Authority - The Board of County Commissioners serves as the governing board for the Building Authority. The County Commissioners approve the budget, levy the tax, and approve or disapprove all expenditures. The Building Authority has the authority to issue its own debt.

Discretely Presented Component Units

The component units' columns in the basic 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.

Morton County Water Resource District - The members of the governing board are appointed and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget. The district has the authority to issue debt.

Lower Heart Water Resource District - The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget. The district has the authority to issue debt.

The financial statements of each of the two discretely presented component units are presented in the basic financial statements. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

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. The remaining governmental fund is reported as a nonmajor fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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

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

Debt Service Fund - This fund accounts for the costs of paying off the County's bond obligations. The major sources of revenues are special assessments.

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.

Cash and Investments

Cash include amounts in demand deposits, money market accounts and short-term certificates of deposit. Cash includes certificates of deposit with maturities of 3 months or less.

The investments consist of an investment in an investment pool stated at market value, and certificates of deposit with maturities of greater than 3 months.

Capital Assets

Primary Government

Capital assets, which include property, plant, equipment, intangible, and infrastructure 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. Intangible assets consist of software and right-of-way easements. The right-of-way easements are considered to have an indefinite useful life as there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the assets and therefore the assets are not amortized.

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

ASSETS	YEARS
Depreciated	
Infrastructure	50
Buildings	50
Machinery & Equipment	5
Vehicles	5
Equipment	5
Amortized	
Intangibles - Software	20

Discretely Presented Component Units

Morton County Water Resource District

Capital assets include property, plant, and equipment. Assets are reported in the individual component unit column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $7,500. Such assets are recorded at historical 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. Interest incurred during the construction phase of capital assets is not capitalized. Intangible assets are amortized over their useful life and consist of water rights purchased from the City of Mandan.

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

ASSETS	YEARS
Depreciated	
Buildings	40
Machinery	5 - 15
Infrastructure	40
Vehicles	3 - 5
Office Equipment	3 - 5
Amortized	
Right to Purchase Water	40

Lower Heart Water Resource District

Capital assets include property, plant, and equipment. Assets are reported in the individual component unit column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000. Such assets are recorded at historical 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. Interest incurred during the construction phase of capital assets is not capitalized.

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

ASSETS	YEARS
Buildings	50
Vehicles	15
Improvements and Infrastructure	50
Machinery and Equipment	5 - 25

Compensated Absences

Employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the County. Vacation benefits are prorated for part time employees. Upon termination of employment, employees will be paid for vacation benefits that have accrued. Sick leave benefits accrue to one working day per month for all permanent employees with unlimited accumulation. Upon retirement or leaving employment with the County (after ten years of continuous employment) employees shall be paid for unused sick leave at 25% of current base salary. In accordance with provisions of Statement of Financial Accounting Standards No. 43, Accounting for compensated absences, no liability is recorded for non-vesting accumulating rights for sick leave benefits. Vested or accumulated vacation and sick leave is reported in government-wide statement of net position. Vacation is earned at a rate of 8 - 16 hours per month, depending on years of service.

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.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

Minimum Fund Balance Policy. The County established an 8% general fund carryover balance target to help with financial stability. The 8% fund balance range is a part of the County's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the county.

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).

Non-Spendable Fund Balance. Non-spendable fund balance exists in the special revenue fund for interfund loans receivable.

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

Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance 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

Beginning net position adjustments were necessary for capital assets and as well as to decrease cash for an off-book escrow account that is being held at the Bank of North Dakota to help pay for the joint Burleigh-Morton jail project. Beginning debt service fund balances was also decreased to report the beginning balance of the off-book escrow account.

Adjustments to beginning net position are as follows:

Governmental Activities	Amounts
Beginning Net Position, as Previously Reported	$ 73,498,030
Adjustments to restate the January 1, 2019 Net Position	
Escrow Cash	(154,216)
Capital Assets - Depreciation	(5,933)
Net Position January 1, as restated	$ 73,337,881

Adjustments to beginning fund balance are as follows:

Debt Service Fund	Amounts
Beginning Debt Service Fund Balance, as Previously Reported	$ 3,431,857
Adjustments to restate the January 1, 2019 Fund Balance	
Escrow Cash	(154,216)
Debt Service Fund Balance January 1, as restated	$ 3,277,641

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, 2019, the County's carrying amount of deposits totaled $27,969,091, and the bank balances totaled $27,173,028. Of the bank balances $11,101,904 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, 2019, Morton County Water District's carrying amount of deposits totaled $2,840,724, and the bank balances totaled $2,855,804. Of the bank balances, $1,596,147 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, 2019, Lower Heart Water District's carrying amount of deposits totaled $396,950, and the bank balances totaled $397,250. Of the bank balances, $250,000 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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

(a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
(b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
(c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
(d) Obligations of the state.
(e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

The County is invested in brokerage certificates of deposits that are subject to interest rate risk. The County carries the investments at a cost of $3,675,000. The County is also invested in government obligation bonds and carries them at market value. The market value of the investments and their maturing dates can be seen below:

Investment Type	Total Fair Value	1-6 Months	7-12 Months	1-5 Years	More Than 5 Years
Brokered CD	$ 3,700,960	$ 735,370	$ 737,119	$ 2,228,471	$ -
Government Obligation Bonds	1,079,946	358	49,983	797,242	232,363
Total Investments	$ 4,780,906	$ 735,728	$ 787,102	$ 3,025,713	$ 232,363

NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2019:

Assets	Total	Quoted Prices In Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Brokered CD	$ 3,700,960	$ -	$ 3,700,960	$ -
Government Obligation Bonds	1,079,946	1,079,946	-	-
Total Investments	$ 4,780,906	$ 1,079,946	$ 3,700,960	$ -

NOTE 5: RESTRICTED CASH AND INVESTMENTS

Primary Government

The County reports restricted cash and investments with fiscal agent in the Debt Service Fund. This amount is held in a trust account at the Bank of North Dakota and is restricted in use for costs related to the bond payments for the County Jail Construction totaling $2,288,942. The County has an additional escrow account held at the Bank of North Dakota that is restricted for costs related to the bond payments for the County Jail Construction totaling $760,744.

Discretely Presented Component Units

Morton County Water Resource District

The Morton County Water Resource District's grant/loan covenants require certain reservations of Missouri West Water System's net position. These amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The restricted portion is $154,233 reported in the enterprise funds for debt service.

NOTE 6: 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 7: INTERFUND RECEIVABLES/PAYABLES

Interfund loans receivable and payable total $1,231,750. The following table represents the amounts of loans receivable and loans payable by fund reported in the balance sheet:

	Due To	Due From
Special Revenue Fund		
Berube Apartment Building	$ -	$ 637,000
Equipment Replacement	637,000	-
Debt Service Fund		
Off Book Jail Renovation		594,750
Equipment Replacement	594,750	
Total	$ 1,231,750	$ 1,231,750

NOTE 8: CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the year ended December 31, 2019:

	Bal. Jan 1 Restated	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized				
Land	$ 1,751,559	$ -	$ -	$ 1,751,559
Right of Ways	549,727	-	-	549,727
Construction in Progress	-	3,188,747	-	3,188,747
Total Capital Assets, Not Being Depreciated or Amortized	$ 2,301,286	$ 3,188,747	$ -	$ 5,490,033
Capital Assets Being Depreciated				
Buildings	$ 26,469,719	$ -	$ -	$ 26,469,719
Vehicles & Equipment	12,962,675	844,444	759,886	13,047,233
Improvements	141,432	-	8,770	132,662
Infrastructure	104,969,356	2,078,442	-	107,047,798
Total Capital Assets, Being Depreciated	$ 144,543,182	$ 2,922,886	$ 768,656	$ 146,697,412
Less Accumulated Depreciation				
Buildings	$ 6,723,955	$ 529,394	$ -	$ 7,253,349
Vehicles & Equipment	11,204,426	1,041,201	759,886	11,485,741
Improvements	101,965	3,003	2,339	102,629
Infrastructure	53,168,096	1,753,312	-	54,921,408
Total Accumulated Depreciation	$ 71,198,442	$ 3,326,910	$ 762,225	$ 73,763,127
Total Capital Assets Being Depreciated, Net	$ 73,344,740	$ (404,024)	$ 6,431	$ 72,934,285
Capital Assets, Being Amortized				
Software	$ 247,121	$ -	$ -	$ 247,121
Less Amortization				
Software	$ 49,424	$ 24,712	$ -	$ 74,136
Capital Assets Being Amortized, Net	$ 197,697	$ (24,712)	$ -	$ 172,985
Capital Assets, Net	$ 75,843,723	$ 2,760,011	$ 6,431	$ 78,597,303

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

	Depreciation	Amortization
General Government	$ 205,581	$ 24,712
Public Safety	611,016	-
Highway and Bridges	2,448,076	-
Health and Welfare	27,661	-
Conservation of Natural Resources	1,700	-
Culture and Recreation	32,876	-
Total	$ 3,326,910	$ 24,712

Discretely Presented Component Units

Morton County Water Resource District

The following is a summary of changes in capital assets for the year ended December 31, 2019 for the Morton County Water Resource District Governmental Activities and Business Type Activities:

Governmental Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized				
Land	$ 1,122,303	$ -	$ -	$ 1,122,303
Total Capital Assets, Not Being Depreciated or Amortized	$ 1,122,303	$ -	$ -	$ 1,122,303
Capital Assets Being Depreciated				
Buildings	$ 252,265	$ -	$ -	$ 252,265
Vehicles & Equipment	116,544	7,250	-	123,794
Infrastructure	7,944,790	131,107	-	8,075,897
Total Capital Assets, Being Depreciated	$ 8,313,599	$ 138,357	$ -	$ 8,451,956
Less Accumulated Depreciation				
Buildings	$ 67,031	$ 10,538	$ -	$ 77,569
Vehicles & Equipment	52,829	11,286	-	64,115
Infrastructure	1,598,212	185,517	-	1,783,729
Total Accumulated Depreciation	$ 1,718,072	$ 207,341	$ -	$ 1,925,413
Total Capital Assets Being Depreciated, Net	$ 6,595,527	$ (68,984)	$ -	$ 6,526,543
Capital Assets, Net	$ 7,717,830	$ (68,984)	$ -	$ 7,648,846

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

Business-Type Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized				
Land	$ 253,034	$ -	$ -	$ 253,034
Construction in Progress	-	53,219	-	53,219
Total Capital Assets, Not Being Depreciated or Amortized	$ 253,034	$ 53,219	$ -	$ 306,253
Capital Assets Being Depreciated				
Buildings	$ 9,800	$ -	$ -	$ 9,800
Vehicles & Equipment	576,568	-	38,848	537,720
Infrastructure	16,367,818	-	-	16,367,818
Total Capital Assets, Being Depreciated	$ 16,954,186	$ -	$ 38,848	$ 16,915,338
Less Accumulated Depreciation				
Buildings	$ 5,880	$ 327	$ -	$ 6,207
Vehicles & Equipment	408,234	73,310	38,848	442,696
Infrastructure	6,478,652	327,356	-	6,806,008
Total Accumulated Depreciation	$ 6,892,766	$ 400,993	$ 38,848	$ 7,254,911
Total Capital Assets Being Depreciated, Net	$ 10,061,420	$ (400,993)	$ -	$ 9,660,427
Capital Assets, Being Amortized				
Intangible Assets	$ 1,371,300	$ -	$ -	$ 1,371,300
Less Amortization				
Intangible Assets	$ 803,144	$ 31,564	$ -	$ 834,708
Capital Assets Being Amortized, Net	$ 568,156	$ (31,564)	$ -	$ 536,592
Capital Assets, Net	$ 10,882,610	$ (379,338)	$ -	$ 10,503,272

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

Lower Heart Water Resource District

The following is a summary of changes in capital assets for the year ended December 31, 2019 for the Morton County Water Resource District:

	Bal. Jan 1 Restated	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated				
Land	$ 341,721	$ -	$ -	$ 341,721
Construction in Progress	125,152	249,678	-	374,830
Total Capital Assets, Not Being Depreciated	$ 466,873	$ 249,678	$ -	$ 716,551
Capital Assets Being Depreciated				
Buildings	$ 20,000	$ -	$ -	$ 20,000
Vehicles and Equipment	347,785	-	-	347,785
Improvements	158,335	-	-	158,335
Total Capital Assets, Being Depreciated	$ 526,120	$ -	$ -	$ 526,120
Less Accumulated Depreciation				
Buildings	$ 20,000	$ -	$ -	$ 20,000
Vehicles & Equipment	262,670	12,871	-	275,541
Improvements	9,500	3,167	-	12,667
Total Accumulated Depreciation	$ 292,170	$ 16,038	$ -	$ 308,208
Total Capital Assets Being Depreciated, Net	$ 233,950	$ (16,038)	$ -	$ 217,912
Capital Assets, Net	$ 700,823	$ 233,640	$ -	$ 934,463

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

NOTE 9: LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2019, the following changes occurred in governmental activities long-term liabilities:

	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	$ 9,443,132	$ 2,515,000	$ 1,680,982	$ 10,277,149	$ 949,899
Bond Discount	(57,375)	-	(3,375)	(54,000)	(3,375)
Loans Payable	824,777	141,044	132,061	833,760	123,164
Total Long-Term Debt	$ 10,210,534	$ 2,656,044	$ 1,809,668	$ 11,056,909	$ 1,069,688
Compensated Absences *	$ 1,059,653	$ 354,774	$ -	$ 1,414,427	$ 141,443
Net Pension & OPEB Liability	10,240,433	-	3,244,038	6,996,395	-
Total Governmental Activities	$ 21,510,620	$ 3,010,818	$ 5,053,706	$ 19,467,731	$ 1,211,131

* - Compensated absences is shown as net change.

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

Year Ending	Bonds Payable		Loans Payable		Bond
Dec 31	Principal	Interest	Principal	Interest	Discount
2020	$ 949,899	$ 356,177	$ 123,164	$ 31,704	$ 3,375
2021	845,750	322,448	127,078	27,780	3,375
2022	874,000	285,011	122,814	23,732	3,375
2023	903,000	246,361	76,963	19,561	3,375
2024	923,500	225,833	74,810	16,789	3,375
2025-2029	2,124,000	896,619	261,526	43,779	16,875
2030-2034	2,503,000	502,084	47,405	10,392	16,875
2035-2039	1,154,000	43,284	-	-	3,375
Totals	$ 10,277,149	$ 2,877,817	$ 833,760	$ 173,737	$ 54,000

Discretely Presented Component Units

Morton County Water Resource District

During the year ended December 31, 2019, the following changes occurred in governmental and enterprise long-term liabilities of the Morton County Water Resource District:

Governmental Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	$ 136,775	$ -	$ 24,221	$ 112,554	$ 24,662

Business-Type Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	$ 2,522,248	$ -	$ 84,328	$ 2,437,920	$ 87,186
Loans Payable	206,000	-	6,000	200,000	7,000
Total Long-Term Debt	$ 2,728,248	$ -	$ 90,328	$ 2,637,920	$ 94,186
Compensated Absences *	$ 82,140	$ -	$ 44,710	$ 37,430	$ 11,229
Total Long-Term Liabilities	$ 5,538,636	$ -	$ 225,366	$ 5,313,270	$ 199,601

* - Compensated absences is shown as net change.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITIES			
Year Ending	Loans Payable		Bonds Payable		Loans Payable	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2020	24,662	4,373	87,186	82,645	7,000	8,750
2021	26,141	3,520	90,142	79,690	7,000	8,444
2022	26,634	2,626	93,198	76,634	7,000	8,137
2023	11,152	1,708	96,357	73,475	8,000	7,831
2024	23,965	1,755	99,624	70,208	8,000	7,481
2025-2029	-	-	551,125	298,033	45,000	31,894
2030-2034	-	-	1,420,288	48,147	56,000	21,132
2034-2038	-	-	-	-	62,000	7,744
2039-2043	-	-	-	-	-	-
Total	$ 112,554	$ 13,982	$ 2,437,920	$ 728,832	$ 200,000	$ 101,413

Lower Heart Water Resource District

During the year ended December 31, 2019, the following changes occurred in governmental and enterprise long-term liabilities of the Lower Heart Water Resource District:

Government Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Special Assessments Payable	$ 52,775	$ -	$ 17,592	$ 35,183	$ 17,592

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

GOVERNMENTAL ACTIVITIES		
Year Ending Dec 31	Special Assessments	
	Principal	Interest
2020	$ 17,592	$ 2,005
2021	17,591	1,003
Total	$ 35,183	$ 3,008

NOTE 10: OPERATING LEASE PAYABLE

Primary Government

The County is engaged in various operating leases Total lease payments made during 2019 totaled $121,056.02. Future lease payments are as follows:

GOVERNMENTAL ACTIVITIES			
Year Ending Dec 31	County Operating Leases		
	Copiers	Graders	Postage
2020	$ 13,555	$ 34,460	$ 2,340
2021	9,602	22,253	2,340
2022	9,602	23,244	1,755
2023	4,168	24,279	-
2024	-	25,361	-
2025 - 2029	-	146,154	-
Totals	$ 36,927	$ 275,751	$ 6,435

NOTE 11: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main & Law Enforcement System)

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

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

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

Pension Benefits

Main System

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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 will be 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.

Law Enforcement System (Without prior main system service)

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement 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 (55) with three or more years of service. 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 first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 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 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

Main System

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 contributions rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

Law Enforcement System (Without prior main system service)

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 5.5% and employer contributions rates are 7.93% of covered compensation.

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

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

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

At December 31, 2019, the County reported a liability of $6,464,117 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County'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, 2019, the County had the following proportions, change in proportions, and pension expense:

	Proportion of Net Pension Liability	Change in Proportions	Pension Expense
Main System	0.557895%	-0.001043%	$ 1,219,905
Law Enforcement without Main System	16.259949%	-11.713372%	238,538

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

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 3,874	$ 1,186,692
Changes of Assumptions	2,443,427	2,097,894
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	113,924	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	181,395	217,920
District Contributions Subsequent to the Measurement Date	417,750	-
Total Main System	$ 3,160,370	$ 3,502,506
	-	-

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 14,238	$ 95,962
Changes of Assumptions	264,328	135,901
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	11,188	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	192,050	-
District Contributions Subsequent to the Measurement Date	142,765	-
Total Law Enforcement System	$ 624,569	$ 231,863

$417,750 and $142,765 for the main system and law enforcement system, respectively, were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

Year	Main System	Law Enforcement	Total
2020	$ 245,504	$ 145,501	$ 391,005
2021	43,438	111,019	154,457
2022	(251,973)	4,061	(247,912)
2023	(611,129)	(5,815)	(616,944)
2024	(185,726)	(4,825)	(190,551)
Therafter	-	-	

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Main System

Inflation	2.50%
Salary increases	Service at Beginning of year: Increase Rate: 0 15.00% 1 10.00% 2 8.00% Age* Under 30 10.00% 30 – 39 7.50% 40 – 49 6.75% 50 – 59 6.50% 60+ 5.25% * Age-based salary increase rates apply for employees with three or more years of service
Investment rate of return	7.50%, net of investment expenses
Cost–of-living adjustments	None

Law Enforcement System (Without prior main system service)

Inflation	2.50%
Salary increases	Service at Beginning of year: Increase Rate: 0 20.00% 1 20.00% 2 10.00% Age* Under 30 7.25% 30 – 39 6.50% 40 – 49 6.25% 50 – 59 5.75% 60+ 5.00% * Age-based salary increase rates apply for employees with three or more years of service
Investment rate of return	7.50%, net of investment expenses
Cost–of-living adjustments	None

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

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

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

Proportionate Share of the Net Pension Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Main System	$ 9,375,422	$ 6,538,933	$ 4,155,786
Law Enforcement	147,750	(74,816)	(241,294)

Pension Plan Fiduciary Net Position

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

NOTE 12: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At December 31, 2019, the County reported a liability of $532,278 for its proportionate share of the net OPEB liability.

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

	Proportion of Net OPEB Liability	Change in Proportions	OPEB Expense
Main System	0.662707%	-0.018280%	$ 67,732

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

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 13,146	$ 16,628
Changes of Assumptions	63,438	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	593	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	24,016
District Contributions Subsequent to the Measurement Date	66,887	-
Total Main System	$ 144,064	$ 40,644

$66,687 for the main system was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

Year	Main System
2020	$ 5,145
2021	5,145
2022	10,100
2023	9,191
2024	3,976
2025	2,397
Thereafter	579

Actuarial assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, net of investment expenses
Cost-of-Living Adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
International Equities	21%	6.95%
Domestic Fixed Income	40%	2.07%

Discount rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the County's and Health District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Main System	$ 679,382	$ 532,278	$ 406,356

NOTE 13: OPERATING LEASE RECEIVABLE

Component Units

Lower Heart Water Resource District

The Lower Heart Water Resource District leases land to the Mandan Parks and Recreation District for recreational facilities under a long-term lease expiring September 30, 2088, with annual lease payment of $3,800. Additionally, the District leases land for farming that expired October 31, 2019, with annual lease payments of $6,084. The Water Resource District entered into new terms after October 31, 2019 to lease land for farming that expires December 31, 2021, with annual lease payments of $9,150. These leases are considered for accounting purposes to be operating leases. Lease revenues in 2019 totaled $11,409.

NOTE 14: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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. Morton County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF for automobile is limited to losses of two million dollars per occurrence and for general liability is limited to losses of two million dollars per occurrence. Mobile equipment and portable property (public assets) coverage is limited to $6,759,482 for the County.

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

occurrence during a 12 month period. The State Bonding Fund currently provides Morton County with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. Morton WRD has $381,000 of coverage and $1,069,000 for the Missouri West Water System employees. Lower Heart WRD has $152,000 of coverage. The State Bonding Fund does not currently charge any premium for this coverage. Morton County has workers compensation with the North Dakota Workforce, Safety and Insurance.

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

NOTE 15: JOINT VENTURE

Primary Government

Morton County entered into an agreement with Grant, Mercer, Oliver and Sioux Counties for the operation of the Custer District Health Unit. Each participating county's share of the cost of operations and board member appointments is determined by the property tax valuation of each county.

Summary financial information for the year ended December 31, 2018, the most current year audited is as follows:

Assets and Deferred Outflows	$ 2,431,491
Liabilities and Deferred Inflows	2,695,342
Net Position	$ (263,851)
Revenues	$ 2,774,562
Expenses	3,029,791
Change in Net Position	$ (255,229)

Detailed financial information for the Health Unit can be obtained from the Custer District Health Unit, Mandan, North Dakota.

NOTE 16: TRANSFERS

The following is the reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2019:

	Transfers In	Transfers Out
Major Funds		
General Fund	$ 338,794	$ 486,925
Special Revenue Fund	8,006,842	4,847,794
Debt Service Fund	159,168	3,220,085
Non-Major Funds		
Capital Project Fund	50,000	-
Total Transfers	$ 8,554,804	$ 8,554,804

NOTE 17: CONDUIT DEBT

From time to time, the County has issued Municipal Industrial Development (MIDA) Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds and loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facility transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At December 31, 2019, there were two outstanding issuances with a balance of $6,460,182 at December 31, 2019.

NOTE 18: CONSTRUCTION COMMITMENTS

Morton County had two open construction commitments as of December 31, 2019 as follows:

Project	Amended Contract	Complete	Retainage	Balance to Finish
LEC Remodel Project	$ 3,728,336	$2,919,128	$224,649	$1,033,856
Park Shop	129,478	126,300	-	3,178
Total	$ 3,857,814	$3,045,428	$224,649	$1,037,034

Lower Heart Water Resource District had one open construction commitments as of December 31, 2019 as follows:

Project	Amended Contract	Complete	Retainage	Balance to Finish
Levee Certification Project	$ 497,926	$ 327,543	$ -	$ 170,383
Total	$ 497,926	$ 327,543	$ -	$ 170,383

NOTE 19: CONTINGENT LIABILITIES

The County is a defendant in various lawsuits incident to its operations. In the opinion of County Counsel and management, such claims against the County not covered by insurance would not materially affect the financial condition of the County.

NOTE 20: SUBSEQUENT EVENT

On March 12, 2020, the County approve Ordinance 2020-1 authorizing the issuance of up to $3.2 million in sales tax revenue bonds. The sales tax revenue bonds will be used to finance the renovation of former detention space.

Additionally, on March 12, 2020 the County approved the resolution authorizing the issuance of $500,000 of sales tax revenue bonds in Series 2020.

MORTON COUNTY

Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 7,475,049	$ 7,475,049	$ 7,624,658	$ 149,609
Licenses, Permits and Fees	43,500	43,500	74,523	31,023
Intergovernmental	2,459,400	2,459,400	2,690,445	231,045
Charges for Services	424,480	424,480	478,831	54,351
Interest Income	2,000	2,000	266,167	264,167
Miscellaneous	87,725	87,725	278,772	191,047
Total Revenues	$ 10,492,154	$ 10,492,154	$ 11,413,396	$ 921,242
EXPENDITURES				
Current				
General Government	$ 3,603,096	$ 3,603,096	$ 3,571,738	$ 31,358
Public Safety	6,815,894	6,815,894	6,315,367	500,527
Public Safety	108,700	108,700	79,400	29,300
Total Expenditures	$ 10,527,690	$ 10,527,690	$ 9,966,505	$ 481,785
Excess (Deficiency) of Revenues Over Expenditures	$(35,536.000)	$ (35,536)	$ 1,446,891	$ 1,403,027
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 338,794	$ 338,794	$ 338,794	$ -
Transfers Out	(486,925)	(486,925)	(486,925)	-
Total Other Financing Sources (Uses)	$ (148,131)	$ (148,131)	$ (148,131)	$ -
Net Change in Fund Balances	$ (183,667)	$ (183,667)	$ 1,298,760	$ 1,403,027
Fund Balance - January 1	$ 3,595,312	$ 3,595,312	$ 3,595,312	$ -
Fund Balance - December 31	$ 3,411,645	$ 3,411,645	$ 4,894,072	$ 1,403,027

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

MORTON COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 2,608,151	$ 2,608,151	$ 2,622,579	$ 14,428
Licenses, Permits, & Fees	-	-	204,539	204,539
Charges for Services	1,375,372	1,375,372	1,325,795	(49,577)
Intergovernmental	7,055,317	7,055,317	7,206,975	151,658
Miscellaneous	45,000	45,000	75,201	30,201
Total Revenues	$ 11,083,840	$ 11,083,840	$ 11,435,089	$ 351,249
EXPENDITURES				
Current				
General Government	$ 159,350	$ 194,350	$ 163,256	$ 31,094
Public Safety	1,219,000	4,252,741	3,724,352	528,389
Highways & Public Improve.	5,674,725	5,674,725	5,182,659	492,066
Health and Welfare	3,442,882	3,445,851	3,549,242	(103,391)
Culture and Recreation	793,878	793,878	703,746	90,132
Conser. Of Natural Resources	610,404	611,396	557,623	53,773
Economic Development	124,005	124,005	124,005	-
Capital Outlay	659,700	659,700	760,283	(100,583)
Debt Service:				
Principal	-	-	8,333	(8,333)
Total Expenditures	$ 12,683,944	$ 15,756,646	$ 14,773,499	$ 983,147
Excess (Deficiency) of Revenues Over Expenditures	$ (1,600,104)	$ (4,672,806)	$ (3,338,410)	$ 1,334,396
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	$ -	$ -	$ 141,044	$ 141,044
Transfers In	4,757,620	4,757,620	8,006,842	3,249,222
Transfers Out	(4,499,000)	(4,499,000)	(4,847,794)	(348,794)
Total Other Financing Sources (Uses)	$ 258,620	$ 258,620	$ 3,300,092	$ 3,041,472
Net Change in Fund Balances	$ (1,341,484)	$ (4,414,186)	$ (38,318)	$ 4,375,868
Fund Balance - January 1	$ 6,729,017	$ 6,729,017	$ 6,729,017	$ -
Fund Balance - December 31	$ 5,387,533	$ 2,314,831	$ 6,690,699	$ 4,375,868

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

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

Main System - Pension	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
2019	0.557895%	$ 6,538,933	$ 5,803,060	112.68%	62.80%
2018	0.558938%	9,432,688	5,742,063	164.27%	62.80%
2017	0.582935%	9,369,679	5,950,848	157.45%	61.98%
2016	0.549545%	5,355,852	5,538,116	96.71%	70.46%
2015	0.583700%	3,969,060	5,200,057	76.33%	77.15%
2014	0.529098%	3,358,298	4,457,002	75.35%	77.70%

Law Enforcement System - Pension	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
2019	16.259949%	$ (74,816)	$ 1,591,802	-4.70%	89.76%
2018	27.973321%	271,421	1,709,406	15.88%	89.76%
2017	29.203088%	285,852	1,722,041	16.60%	87.23%
2016	47.562790%	30,465	1,709,406	1.78%	98.17%
2015	46.434907%	(54,345)	1,753,650	-3.10%	104.37%
2014	49.940925%	(6,664)	1,364,550	-0.49%	100.61%

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

Main System - Pension	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	$ 422,495	$ (462,612)	$ (40,117)	$ 5,803,060	7.97%
2018	422,928	(414,582)	8,346	5,742,063	7.22%
2017	431,509	(377,856)	53,653	5,950,848	6.35%
2016	400,951	(439,794)	(38,843)	5,538,116	7.94%
2015	394,986	(374,863)	20,123	5,200,057	7.60%
2014	317,339	(317,339)	-	4,457,002	7.12%

Law Enforcement System - Pension	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	$ 108,991.00	$ (139,995.00)	$ (31,004)	$ 1,591,802	8.79%
2018	131,922	(134,018)	(2,096)	1,709,406	7.84%
2017	145,242	(168,921)	(23,679)	1,722,041	9.81%
2016	176,774	(183,681)	(6,907)	1,709,406	10.75%
2015	143,678	(146,640)	(2,962)	1,753,650	8.19%
2014	108,209	(108,209)	-	1,364,550	7.93%

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

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

Main System - OPEB	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered-employee payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.662707%	$ 532,278	$ 7,394,862	7.20%	61.98%
2018	0.680987%	536,324	7,451,469	7.20%	61.98%
2017	0.709244%	561,020	7,672,889	7.31%	59.78%

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

Main System - OPEB	Statutory required contribution	Contributions in relation to the statutory required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	$ 86,003	$ 94,218	$ 180,221	$ 7,394,862	1.27%
2018	87,402	(85,646)	1,756	7,451,469	-1.15%
2017	89,192	(84,784)	4,408	7,672,889	-1.10%

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

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 amended the County expenditures and transfers budget for various funds as follows:

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
Special Revenue Fund	$ 17,182,944	$ 3,072,702	$ 20,255,646

NOTE 3: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 4: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

NOTE 5: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

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

- The investment return assumption was lowered from 7.75% to 7.50% for Pension.
- The investment return assumption was lowered from 7.50% to 7.25% for OPEB.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

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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
Morton County
Mandan, North Dakota

We have audited, 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, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Morton County's basic financial statements, and have issued our report thereon dated June 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morton 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 Morton County's internal control. Accordingly, we do not express an opinion on the effectiveness of Morton 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 *2019-001, 2019-002, 2019-003, and 2019-004* that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morton 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Morton County's Response to Findings

Morton County's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Morton 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
June 9, 2020

Financial Statements

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

Internal control over financial reporting

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

2019-001 – FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

Morton County currently does not prepare the financial statement note disclosures required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements notes.

Criteria

Morton County is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

Management chose not to allocate County resources for preparation of the financial statement note disclosures.

Effect

There is an increased risk of material misstatement to the County's financial statements.

Repeat Finding

Yes.

Recommendation

We recommend Morton County consider the additional risk of having the auditors assist in the preparation of the financial statement note disclosures and consider preparing them in the future.

Morton County's Response

Agree. Morton County is aware that there is a risk having the State Auditor's Office prepare and approve our financial statement note disclosures. We may attempt to prepare the financial statement note disclosures in the future.

2019-002 ADJUSTING JOURNAL ENTRIES – MATERIAL WEAKNESS

Condition

Material auditor-identified adjustments including capital asset and off book adjusting entries to the financial statements were required to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Effect

Inadequate internal controls over recording of transactions affects Morton County's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause

Management elected to have the Auditors prepare the majority of the adjustments that were presented.

Criteria

Morton County is responsible for preparing adjusting entries for material adjustments to ensure its financial statements are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

Yes.

Recommendation

We recommend Morton County design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

Morton County's Response

Agree. Morton County will try to attempt to identify the necessary adjustments in the future.

2019-003 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS

Condition

Morton County does not currently prepare a fraud risk assessment of the entire entity.

Effect

If Morton County does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Cause

Morton County may not have considered preparing a fraud risk assessment.

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Prior Recommendation

Yes.

Recommendation

We recommend Morton County prepare a fraud risk assessment in order to identify areas of concern within entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Morton County's Response

Agree, Morton County will consider preparing a fraud risk assessment in the future.

2019-004 ADJUSTING JOURNAL ENTRIES – LOWER HEART WATER RESOURCE DISTRICT – MATERIAL WEAKNESS

Condition

Material auditor-identified accounts payable adjusting entries to the financial statements totaling $41,972 were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Effect

Choosing not to provide a payables schedule could affect Lower Heart Water Resource District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause

Lower Heart Water Resource District did not provide a list of potential payables that may be material for financial statement inclusion.

Criteria

Lower Heart Water Resource District is responsible for preparing adjustments for material payables to ensure its financial statements are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

No.

Recommendation

We recommend Lower Heart Water Resource District prepare a payables schedule at year end for financial statement inclusion in order to present the financial statements in compliance with GAAP.

Lower Heart Water Resource District’s Response

Agree. Lower Heart Water Resource District will attempt to provide payable listings in the future.

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GOVERNANCE COMMUNICATION

Board of County Commissioners
Morton County
Mandan, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, North Dakota, for the year ended December 31, 2019 which collectively comprise Morton County's basic financial statements, and have issued our report thereon dated June 9, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated April 9, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Morton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Morton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Morton County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below lists all misstatements detected as a result of audit procedures that were corrected by management.

2019 Adjustments	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
Governmental Activities						
Client Provided Adjustments						
Intergovernmental Receivable	811,989	-	-	-	811,989	-
Revenue	-	811,989	-	-	-	811,989
Client Provided Adjustments						
Expenditures	419,650	-	-	-	419,650	-
Salaries Payable	-	419,650	-	-	-	419,650
Client Provided Adjustments						
Long-Term Debt	25,000	-	-	-	25,000	-
Other Financing Sources	-	25,000	-	-	-	25,000
Special Revenue Funds						
Net Capital Asset Adjustments						
Expenditures	-		90,641		90,641	
Capital Assets		-		90,641		90,641
To Reclassify Receivables						
Interfund Receivable	-		594,750		594,750	
Accounts Receivable		-		594,750		594,750
Debt Service Funds						
To Adjust Off-Book Activity						
Transfers Out	-		594,750		594,750	
Interfund Payable		-		594,750		594,750
To Adjust Off-Book Activity						
Expenditures	-		2,018,573		2,018,573	
Revenue				1,965,105		1,965,105
Other Financing Sources				33,833		33,833
Cash		-		19,635		19,635
To Record Prior Period Adjustment for Off Book Activity						
Fund Balance	-		154,216		154,216	
Cash		-		154,216		154,216
Lower Heart Water Resource District						
To Adjust Missed Payable Amount						
Expenditures	-		41,972		41,972	
Accounts Payable		-		41,972		41,972

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 9, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of County Commissioners and management of Morton County, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Burleigh County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Morton County.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 9, 2020

Office of the
State Auditor

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