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, 2022

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Office of the State Auditor

MORTON COUNTY

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COUNTY OFFICIALS

Nathan Boehm	Commissioner – Chairman
Andy Zachmeier	Commissioner – Vice Chairman
Ron Leingang	Commissioner
Jackie Buckley	Commissioner
Raymond Morrell	Commissioner
Dawn Rhone	Auditor
Kari Hatzenbuhler	Treasurer
Allan Koppy	States Attorney
Kyle Kirchmeier	Sheriff
Nancy Seefeldt	County Recorder
Mike Heilman	Superintendent of Schools

STATE AUDITOR
Joshua C. Gallion

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

PHONE
701-328-2241

FAX
701-328-2345

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morton County
Mandan, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the aggregate 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, 2022, and the related notes to the financial statements, which collectively comprise Morton County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, North Dakota, as of December 31, 2022, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Morton County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Morton County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Morton County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Morton County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information,* as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morton County's basic financial statements. The *schedule of federal awards* and *notes to the schedule of expenditures federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023 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
September 8, 2023

MORTON COUNTY
Statement of Net Position
December 31, 2022

	Primary Government	Component Units	
	Governmental Activities	Morton Co. Water Resource District	Lower Heart Water Resource District
ASSETS			
Cash and Investments	$ 25,166,070	$ 2,502,387	$ 157,491
Restricted Cash & Investments	4,404,705	120,186	-
Accounts Receivable	219,240	164,668	-
Due from County Treasurer	-	130	-
Intergovernmental Receivable	851,643	3,802	106,417
Taxes Receivable	170,501	1,955	5,212
Special Assessments Receivable	956,887	13,265	-
Capital Assets, Net	79,388,188	18,887,865	3,034,403
Total Assets	$ 111,157,234	$ 21,694,258	$ 3,303,523
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions & OPEB	$ 12,841,315	$ -	$ -
Total Assets & Deferred Outflows of Resources	$ 123,998,549	$ 21,694,258	$ 3,303,523
LIABILITIES			
Accounts Payable	$ 1,370,881	$ 86,741	$ 75,678
Prepaid Expense	2,293	-	-
Salaries and Benefits Payable	591,126	5,357	-
Grants received in advance	5,350,328	-	-
Interest Payable	51,984	46,095	1,961
Long-Term Liabilities			
Due Within One Year			
Long Term Debt	1,227,945	122,509	13,100
Compensated Absences Payable	244,937	18,327	-
Due After One Year			
Long Term Debt	9,277,074	2,666,390	104,800
Compensated Absences Payable	2,204,438	42,763	-
Net Pension & OPEB Liability	17,817,516	-	-
Total Liabilities	$ 38,138,522	$ 2,988,182	$ 195,539
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	$ 3,148,896	$ -	$ -
Derived from Pensions & OPEB	7,124,075	-	-
Total Deferred Inflows of Resources	$ 10,272,971	$ -	$ -
Total Liabilities & Deferred Inflows of Resources	$ 48,411,493	$ 2,988,182	$ 195,539
NET POSITION			
Net Investment in Capital Assets	$ 68,883,169	$ 16,052,871	$ 2,914,542
Restricted			
Debt Service	5,528,168	120,186	-
Capital Projects	664,950	-	-
Highways & Public Improvement	1,666,404	-	-
Culture and Recreation	156,912	-	-
Conservation of Natural Resources	318,231	-	193,442
Emergencies	512,646	-	-
Economic Development	30,554	-	-
Dam Maintenance	-	185,543	-
Unrestricted	(2,173,978)	2,347,476	-
Total Net Position	$ 75,587,056	$ 18,706,076	$ 3,107,984

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

MORTON COUNTY
Statement of Activities
For the Year Ended December 31, 2022

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	$ 4,872,479	$ 635,279	$ 5,792	$ -	$ (4,231,408)	$ -	$ -
Public Safety	8,513,037	1,167,802	83,423	-	(7,261,812)	-	-
Highways & Public Improvement	8,752,558	54,209	3,398,942	698,157	(4,601,250)	-	-
Health and Welfare	4,550,189	25,103	3,941,849	-	(583,237)	-	-
Culture and Recreation	533,678	139,495	26,571	-	(367,612)	-	-
Conserv. of Natural Resources	556,479	23,750	-	-	(532,729)	-	-
Economic Development	127,855	-	-	-	(127,855)	-	-
Interest on Long-term Debt	275,939	-	-	-	(275,939)	-	-
Total Governmental Activities	$ 28,182,214	$ 2,045,638	$ 7,456,577	$ 698,157	$(17,981,842)	$ -	$ -
Component Units							
Morton Co. Water Resource	$ 2,887,776	$ 2,367,869	$ 26,947	$ 6,070	$ -	$ (486,890)	$ -
Lower Heart Water Resource	189,443	-	-	338,555	-	-	149,112
Total Component Units	$ 3,077,219	$ 2,367,869	$ 26,947	$ 344,625	$ -	$ (486,890)	$ 149,112
General Revenues							
Property taxes					$ 10,822,406	$ 134,267	$ 322,334
Sales taxes					2,155,814	-	-
Unrestricted State Revenue					5,720,612	-	-
Interest Earnings					-	5,165	193
Earnings on Investments					141,292	-	-
Gain (Loss) on Sale of Capital Asset					199,520	-	-
Miscellaneous					599,058	23,457	16,876
Total General Revenues					$ 19,638,702	$ 162,889	$ 339,403
Change in Net Position					$ 1,656,860	$ (324,001)	$ 488,515
Net Position - January 1					$ 74,181,893	$ 19,033,775	$ 2,621,417
Prior Period Adjustment					$ (251,697)	$ (3,698)	$ (1,948)
Net Position - January 1, as adjusted					$ 73,930,196	$ 19,030,077	$ 2,619,469
Net Position - December 31					$ 75,587,056	$ 18,706,076	$ 3,107,984

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

MORTON COUNTY
Balance Sheet – Governmental Funds
December 31, 2022

	Major Funds				
	General	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash & Investments	$ 9,071,689	$ 15,089,806	$ 274,434	$ 730,141	$ 25,166,070
Restricted Cash & Investments	-	-	4,404,705	-	4,404,705
Accounts Receivable	158,607	60,633	-	-	219,240
Intergovernmental Receivables	420,157	431,486	-	-	851,643
Interfund Loan Receivable	-	391,000	-	-	391,000
Taxes Receivable	116,577	53,924	-	-	170,501
Special Assessments Receivable	-	-	956,887	-	956,887
Total Assets	$ 9,767,030	$ 16,026,849	$ 5,636,026	$ 730,141	$ 32,160,046
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Accounts Payable	$ 544,350	$ 761,340	$ -	$ 65,191	$ 1,370,881
Salaries and Benefits Payable	532,780	58,346	-	-	591,126
Prepaid Expense	2,293	-	-	-	2,293
Interfund Loan Payable	-	391,000	-	-	391,000
Grants received in advance	-	5,350,328	-	-	5,350,328
Total Liabilities	$ 1,079,423	$ 6,561,014	$ -	$ 65,191	$ 7,705,628
Deferred Inflows of Resources:					
Taxes Receivable	$ 116,577	$ 53,924	$ -	$ -	$ 170,501
Special Assessments Receivable	-	-	956,887	-	956,887
Taxes Received in Advance	2,262,519	830,503	55,874	-	3,148,896
Total Deferred Inflows of Resources	$ 2,379,096	$ 884,427	$ 1,012,761	$ -	$ 4,276,284
Total Liabilities and Deferred Inflows of Resources	$ 3,458,519	$ 7,445,441	$ 1,012,761	$ 65,191	$ 11,981,912
FUND BALANCE					
Non-Spendable					
Prepaid Expense	$ 2,293	$ -	$ -	$ -	$ 2,293
Loans Payable	-	391,000	-	-	391,000
Restricted					
Debt Service	-	-	4,623,265	-	4,623,265
General Government	-	520,895	-	-	520,895
Public Safety	-	1,569,855	-	-	1,569,855
Highways & Public Improvement	-	4,564,749	-	-	4,564,749
Emergency	-	512,646	-	-	512,646
Health and Welfare	-	54,338	-	-	54,338
Culture and Recreation	-	471,919	-	-	471,919
Conservation of Natural Resources	-	467,096	-	-	467,096
Economic Development	-	28,910	-	-	28,910
Capital Projects	-	-	-	664,950	664,950
Unassigned					
General Fund	6,306,218	-	-	-	6,306,218
Total Fund Balances	$ 6,308,511	$ 8,581,408	$ 4,623,265	$ 664,950	$ 20,178,134
Total Liabilities and Fund Balances	$ 9,767,030	$ 16,026,849	$ 5,636,026	$ 730,141	$ 32,160,046

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, 2022

Total *Fund Balances* for Governmental Funds		$ 20,178,134
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.		79,388,188
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	$ 170,501	
Special Assessments Receivable	956,887	1,127,388
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	$ 12,841,315	
Deferred Inflows Related to Pensions & OPEB Items	(7,124,075)	5,717,240
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	$ (9,690,162)	
Interest Payable	(51,984)	
Compensated Absences	(2,449,375)	
Net Pension & OPEB Liability	(17,817,516)	(30,823,894)
Total Net Position of Governmental Activities		$ 75,587,056

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, 2022

	Major Funds				
	General	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
REVENUES					
Property Taxes	$ 7,282,655	$ 3,529,943	$ -	$ -	$ 10,812,598
Sales Taxes	-	-	2,155,814	-	2,155,814
Special Assessments	-	-	175,653	-	175,653
Intergovernmental Revenues	2,919,701	10,055,669	1,881	199,938	13,177,189
Charges for Services	523,630	1,418,760	-	-	1,942,390
Licenses, Permits, & Fees	64,678	38,570	-	-	103,248
Interest Income	141,292	-	-	-	141,292
Miscellaneous Revenues	443,113	141,815	14,130	-	599,058
Total Revenues	$ 11,375,069	$ 15,184,757	$ 2,347,478	$ 199,938	$ 29,107,242
EXPENDITURES					
Current					
General Government	$ 4,152,656	$ 234,235	$ -	$ -	$ 4,386,891
Public Safety	6,462,581	897,065	-	228,094	7,587,740
Highways & Public Improvements	-	8,052,118	172	-	8,052,290
Health and Welfare	-	4,047,182	-	-	4,047,182
Culture and Recreation	-	824,009	-	-	824,009
Conserv. of Natural Resources	107,800	469,675	-	-	577,475
Economic Development	-	127,855	-	-	127,855
Capital Outlay	-	215,089	-	783,885	998,974
Debt Service					
Principal	-	163,548	1,139,309	-	1,302,857
Interest and Service Charge	-	30,612	238,607	-	269,219
Total Expenditures	$ 10,723,037	$ 15,061,388	$ 1,378,088	$ 1,011,979	$ 28,174,492
Excess (Deficiency) of Revenues Over Expenditures	$ 652,032	$ 123,369	$ 969,390	$ (812,041)	$ 932,750
OTHER FINANCING SOURCES (USES)					
Note Payable Proceeds	$ -	$ 171,775	$ -	$ -	$ 171,775
Proceeds from Sale of Capital Assets	-	68,710	-	-	68,710
Transfers In	-	8,759,074	216,435	997,518	9,973,027
Transfers Out	(344,147)	(9,412,445)	(216,435)	-	(9,973,027)
Total Other Financing Sources (Uses)	$ (344,147)	$ (412,886)	$ -	$ 997,518	$ 240,485
Net Change in Fund Balances	$ 307,885	$ (289,517)	$ 969,390	$ 185,477	$ 1,173,235
Fund Balance - January 1	$ 6,000,626	$ 8,855,925	$ 3,653,875	$ 479,473	$ 18,989,899
Prior Period Adjustment	$ -	$ 15,000	$ -	$ -	$ 15,000
Fund Balance - Jan. 1, as Restated	$ 6,000,626	$ 8,870,925	$ 3,653,875	$ 479,473	$ 19,004,899
Fund Balance - December 31	$ 6,308,511	$ 8,581,408	$ 4,623,265	$ 664,950	$ 20,178,134

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, 2022

Net Change in *Fund Balances* - Total Governmental Funds		$ 1,173,235
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	$ 4,171,095	
Depreciation Expense	(3,634,125)	
Amortization of Intangible Assets	(24,712)	512,258
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.		199,520
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net Change in Compensated Absences Payable	$ 23,705	
Net Change in Interest Payable	(552)	23,153
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.		
Net Amortization of Bond Discount	$ (6,168)	
Repayment of Long-Term Debt	1,302,857	
Issuance of Long-Term Debt	(240,485)	1,056,204
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.		
Net Change Net Pension & OPEB Liability	$ (12,042,930)	
Net Change in Deferred Outflows of Resources	4,512,879	
Net Change in Deferred Inflows of Resources	5,690,229	(1,839,822)
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.		
Net Change in Taxes Receivable	$ 9,808	
Net Change in Special Assessment Receivable	522,504	532,312
Change in Net Position of Governmental Activities		$ 1,656,860

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

	Custodial Funds
ASSETS	
Cash and cash equivalents	$ 12,128,395
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	$ 151,276
Funds Held for Other Purposes	315
Total Liabilities	$ 151,591
Deferred Inflows of Resources	
Taxes Received in Advance	$ 11,976,804
Total Liabilities and Deferred Inflows of Resources	$ 12,128,395
Total Net Position	$ -

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

MORTON COUNTY
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2022

	Custodial Funds
ADDITIONS	
Tax Collections for Other Governments	$ 39,071,055
Grant Collections for Other Governments	2,765,194
Miscellaneous Collections	10,518
Total Additions	$ 41,846,767
DEDUCTIONS	
Tax Disbursements to Other Governments	$ 39,071,055
Grant Disbursements to Other Governments	2,765,194
Miscellaneous Disbursements	10,518
Total Deductions	$ 41,846,767
Net Increase (Decrease) in Fiduciary Net Position	$ -
Net Position - Beginning	$ -
Net Position - Ending	$ -

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:

Custodial Funds. These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's custodial 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, and 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

Primary Government

A beginning general fund and governmental net position adjustment was necessary to increase accounts receivable. Beginning net position adjustments were necessary to increase notes payable and capital assets due to a reclass adjustment for prior year operating leases.

Adjustments to beginning net position are as follows:

Governmental Activities	Amounts
Beginning Net Position, as Previously Reported	$ 74,181,893
Adjustments to restate the January 1, 2022 Net Position	
Accounts Receivables	15,000
Notes Payable	(756,810)
Capital Assets - Depreciable, Net	490,113
Net Position January 1, as restated	$ 73,930,196

Discretely Presented Component Unit

Beginning governmental net position and enterprise net position adjustments were necessary to increase long term debt for Morton County Water Resource District.

Adjustments to beginning net position are as follows:

	Amounts
Beginning Net Position, as Previously Reported	$ 19,033,775
Adjustments to restate the January 1, 2022 Net Position:	
Long Term Debt	(3,698)
Net Position January 1, as restated	$ 19,030,077

A beginning governmental net position adjustment was necessary to decrease non-depreciable capital assets for Lower Heart Water Resource District.

Adjustments to beginning net position are as follows:

	Amounts
Beginning Net Position, as Previously Reported	$ 2,621,417
Adjustments to restate the January 1, 2022 Net Position:	
Capital Assets - Nondepreciable	(1,948)
Net Position January 1, as restated	$ 2,619,469

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, 2022, the County's carrying amount of deposits totaled $41,624,624, and the bank balances totaled $40,788,391. Of the bank balances $14,054,932 was covered by Federal Depository Insurance, $4,404,708 were held at the Bank of North Dakota, which is backed by the full faith of the State of North Dakota, while 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, 2022, Morton County Water District's carrying amount of deposits totaled $2,622,557, and the bank balances totaled $2,631,909. Of the bank balances, $1,521,805 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, 2022, Lower Heart Water District's carrying amount of deposits totaled $157,491 and bank balances totaled $224,552, all of which was covered by Federal Depository Insurance.

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.

On December 31, 2022, The County held investments in the amount of $3,904,053, which consists of brokered CD's. The market value of the investments and their maturing dates can be seen below:

Investment Type	Total Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Brokered CD	$ 3,904,053	$ 243,366	$ 3,660,687	$ -	$ -
Total Investments	$ 3,904,053	$ 243,366	$ 3,660,687	$ -	$ -

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, 2022:

Assets	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 2	Total
Brokered CD	$ -	$ 3,904,053	$ -	$ 3,904,053
Total	$ -	$ 3,904,053	$ -	$ 3,904,054

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 $3,701,478. 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 $703,228.

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 $120,186 reported in the Statement of Net Position.

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 $391,000. 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	$ -	$ 391,000
Equipment Replacement	391,000	-
Total	$ 391,000	$ 391,000

NOTE 8: CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the year ended December 31, 2022:

	Restated Balance Jan 1	Increases	Decreases	Transfers	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	-	-	-	-	-
Total Capital Assets, Not Being Depreciated or Amortized	$ 2,301,286	$ -	$ -	$ -	$ 2,301,286
Capital Assets Being Depreciated					
Buildings	$ 30,460,374	$ 420,000	$ -	$ -	$ 30,880,374
Vehicles & Equipment	14,432,923	1,214,757	602,392	-	15,045,288
Improvements	132,662	92,584	-	-	225,246
Infrastructure	110,464,410	2,604,489	105,851	-	112,963,048
Total Capital Assets, Being Depreciated	$ 155,490,369	$ 4,331,830	$ 708,243	$ -	$ 159,113,956
Less Accumulated Depreciation					
Buildings	$ 8,471,765	$ 617,608	$ -	$ -	$ 9,089,373
Vehicles & Equipment	12,092,500	1,041,823	594,702	-	12,539,621
Improvements	108,635	21,520	-	-	130,155
Infrastructure	58,497,199	1,953,173	83,617	-	60,366,755
Total Accumulated Depreciation	$ 79,170,099	$ 3,634,124	$ 678,319	$ -	$ 82,125,904
Total Capital Assets Being Depreciated, Net	$ 76,320,270	$ 697,706	$ 29,924	$ -	$ 76,988,052
Capital Assets, Being Amortized					
Software	$ 247,121	$ -	$ -	$ -	$ 247,121
Less Amortization					
Software	$ 123,558	$ 24,713	$ -	$ -	$ 148,271
Capital Assets Being Amortized, Net	$ 123,563	$ (24,713)	$ -	$ -	$ 98,850
Capital Assets, Net	$ 78,745,119	$ 672,993	$ 29,924	$ -	$ 79,388,188

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

	Depreciation	Amortization
General Government	$ 177,951	$ 24,713
Public Safety	693,864	-
Highway and Bridges	2,689,649	-
Health and Welfare	33,594	-
Conservation of Natural Resources	4,200	-
Culture and Recreation	34,866	-
Total	$ 3,634,124	$ 24,713

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, 2022 for the Morton County Water Resource District Governmental Activities and Business Type Activities:

Governmental Activities	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	$ 1,051,788	$ -	$ -	$ -	$ 1,051,788
Total Capital Assets, Not Being Depreciated or Amortized	$ 1,051,788	$ -	$ -	$ -	$ 1,051,788
Capital Assets Being Depreciated					
Buildings	$ 267,172	$ -	$ -	$ -	$ 267,172
Vehicles & Equipment	154,354	6,050	-	-	160,404
Infrastructure	8,085,517	-	-	-	8,085,517
Total Capital Assets, Being Depreciated	$ 8,507,043	$ 6,050	$ -	$ -	$ 8,513,093
Less Accumulated Depreciation					
Buildings	$ 100,134	$ 12,028	$ -		$ 112,162
Vehicles & Equipment	88,290	13,492	-		101,782
Infrastructure	2,155,725	185,998	-		2,341,723
Total Accumulated Depreciation	$ 2,344,149	$ 211,518	$ -	$ -	$ 2,555,667
Total Capital Assets Being Depreciated, Net	$ 6,162,894	$ (205,468)	$ -	$ -	$ 5,957,426
Capital Assets, Net	$ 7,214,682	$ (205,468)	$ -	$ -	$ 7,009,214

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

Business-Type Activities	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	$ 253,034	$ -	$ -	$ -	$ 253,034
Construction in Progress	10,000	1,081,537		(1,091,537)	-
Total Capital Assets, Not Being Depreciated or Amortized	$ 263,034	$ 1,081,537	$ -	$ (1,091,537)	$ 253,034
Capital Assets Being Depreciated					
Buildings	$ 9,800	$ -	$ -	$ 1,091,537	$ 1,101,337
Vehicles & Equipment	553,818	-	-	-	553,818
Infrastructure	17,963,019	-	-		17,963,019
Total Capital Assets, Being Depreciated	$ 18,526,637	$ -	$ -	$ 1,091,537	$ 19,618,174
Less Accumulated Depreciation					
Buildings	$ 6,860	$ 36,711	$ -	$ -	$ 43,571
Vehicles & Equipment	524,182	14,819	-	-	539,001
Infrastructure	7,492,625	359,260	-	-	7,851,885
Total Accumulated Depreciation	$ 8,023,667	$ 410,790	$ -	$ -	$ 8,434,457
Total Capital Assets Being Depreciated, Net	$ 10,502,970	$ (410,790)	$ -	$ -	$ 11,183,717
Capital Assets, Being Amortized					
Intangible Assets	$ 1,371,300	$ -	$ -	$ -	$ 1,371,300
Less Amortization					
Intangible Assets	$ 897,836	$ 31,564	$ -	$ -	$ 929,400
Capital Assets Being Amortized, Net	$ 473,464	$ (31,564)	$ -	$ -	$ 441,900
Capital Assets, Net	$ 11,239,468	$ 639,183	$ -	$ -	$ 11,878,651

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, 2022 for the Morton County Water Resource District:

	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	$ 507,468	$ -	$ -		$ 507,468
Construction in Progress	1,477,319	877,732	-		2,355,051
Total Capital Assets, Not Being Depreciated	$ 1,984,787	$ 877,732	$ -	$ -	$ 2,862,519
Capital Assets Being Depreciated					
Buildings	$ 20,000	$ -	$ -		$ 20,000
Machinery & Equipment	347,785	-	-		347,785
Improvements to Infrastructure	158,335	-	-		158,335
Total Capital Assets, Being Depreciated	$ 526,120	$ -	$ -	$ -	$ 526,120
Less Accumulated Depreciation					
Buildings	$ 20,000	$ -	$ -		$ 20,000
Machinery & Equipment	300,783	11,285	-		312,068
Improvements to Infrastructure	19,001	3,167	-		22,168
Total Accumulated Depreciation	$ 339,784	$ 14,452	$ -	$ -	$ 354,236
Total Capital Assets Being Depreciated, Net	$ 186,336	$ (14,452)	$ -	$ -	$ 171,884
Capital Assets, Net	$ 2,171,123	$ 863,280	$ -	$ -	$ 3,034,403

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

NOTE 9: LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2022, the following changes occurred in governmental activities long-term liabilities:

	Restated Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	$ 9,553,000	$ -	$ 978,250	$ 8,574,750	$ 992,250
Bond Discount	(67,842)	-	(6,167)	(61,675)	(6,167)
Loans Payable	1,387,965	-	210,879	1,177,087	128,666
Notes Payable	756,810	171,775	113,728	814,857	113,196
Total Long-Term Debt	$ 11,629,933	$ 171,775	$ 1,296,690	$10,505,019	$ 1,227,945
Compensated Absences *	$ 2,473,080	$ -	$ 23,705	$ 2,449,375	$ 244,937
Net Pension & OPEB Liability	5,774,586	12,042,930	-	17,817,516	-
Total Governmental Activities	$ 19,877,599	$ 12,214,705	$ 1,320,395	$30,771,910	$ 1,472,882

* - Compensated absences is shown as net change.

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

GOVERNMENTAL ACTIVITIES							
Year Ending	Bonds Payable		Loans Payable		Notes Payable		Bond
Dec 31	Principal	Interest	Principal	Interest	Principal	Interest	Discount
2023	$ 992,250	$ 166,699	$ 128,666	$ 41,962	$ 113,196	$ 29,613	$ 6,167
2024	1,006,750	152,839	131,679	37,603	117,139	25,670	6,167
2025	1,126,250	137,383	118,830	35,908	464,859	14,847	6,167
2026	633,750	118,992	122,675	28,804	119,663	5,336	6,167
2027	643,500	109,485	134,089	36,863	-	-	6,167
2028-2032	4,172,250	346,630	358,945	67,642	-	-	30,840
2033-2037	-	-	182,203	13,370	-	-	-
Totals	$ 8,574,750	$ 1,032,028	$1,177,087	$ 262,152	$ 814,857	$ 75,466	$ 61,675

Discretely Presented Component Units

Morton County Water Resource District

During the year ended December 31, 2022, the following changes occurred in governmental and enterprise long-term liabilities of the Morton County Water Resource District:

Government Activities	Balance Jan 1	Increases	Decreases	Balance December 31	Due Within One Year
Long-Term Debt					
Loans Payable	$ 61,732	$ -	$ 26,761	$ 34,971	$ 11,152

Business-Type Activities	Restated Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	$ 2,260,575	$ -	$ 96,647	$ 2,163,928	$ 96,357
Loans Payable	791,000	-	201,000	590,000	15,000
Total Long-Term Debt	$ 3,051,575	$ -	$ 297,647	$ 2,753,928	$ 111,357
Compensated Absences *	$ 60,787	$ 303	$ -	$ 61,090	$ 18,327
Total Long-Term Liabilities	$ 3,112,362	$ 303	$ 297,647	$ 2,815,018	$ 129,684

* - 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	
Dec 31	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 11,152	$ 1,708	$ 96,357	$ 73,475	$ 15,000	$ 8,738
2024	11,691	1,169	99,624	70,208	15,000	8,513
2025	12,128	733	103,001	66,831	15,000	8,288
2026	-	-	106,493	63,339	15,000	8,063
2027	-	-	110,103	59,729	15,000	7,838
2028-2032	-	-	1,648,350	141,380	100,000	34,875
2033-2037	-	-	-	-	100,000	27,375
2038-2042	-	-	-	-	115,000	19,538
2043-2047	-	-	-	-	125,000	8,361
2048-2052	-	-	-	-	75,000	-
Total	$ 34,971	$ 3,610	$ 2,163,928	$ 474,962	$ 590,000	$ 131,589

Lower Heart Water Resource District

During the year ended December 31, 2022, 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
Loans Payable	$ 131,000	$ -	$ 13,100	$ 117,900	$ 13,100
Total Long-Term Debt	$ 131,000	$ -	$ 13,100	$ 117,900	$ 13,100

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

Year Ending Dec 31	Loans Payable	
	Principal	Interest
2023	$ 13,100	$ 2,353
2024	13,100	2,353
2025	13,100	2,353
2026	13,100	2,353
2027	13,100	2,353
2028-2032	52,400	9,413
Total	$ 117,900	$ 21,178

NOTE 10: 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 management.

Pension Benefits

Main System

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was 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 benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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 contribution 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, 2022, the County reported a liability of $17,000,078 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, the County had the following proportions, change in proportions, and pension expense:

	Proportion of Net Pension Liability	Change in Proportions	Pension Expense
Main System	0.558572%	0.003093%	$ 2,111,373
Law Enforcement without Main System	14.459654%	-2.916648%	262,658

At December 31, 2022, 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	$ 83,915	$ 307,294
Changes of Assumptions	9,620,410	5,964,121
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	588,790	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	86,737	49,603
District Contributions Subsequent to the Measurement Date	449,127	-
Total Main System	$ 10,828,979	$ 6,321,018

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 59,255	$ 66,943
Changes of Assumptions	1,214,721	675,919
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	117,816	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	45,929	-
District Contributions Subsequent to the Measurement Date	147,789	34,235
Total Law Enforcement System	$ 1,585,510	$ 777,097

$449,127 and $147,789 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, 2022.

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
2023	$ 1,131,873	$ 162,738	$ 1,294,611
2024	1,348,917	161,329	1,510,246
2025	84,815	86,840	171,655
2026	1,493,229	133,382	1,626,611
2027	-	116,335	116,335
Therafter	-	-	-

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost–of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
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).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.12 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
Main System	$ 21,234,057	$ 16,087,246	$ 11,861,891
Law Enforcement	1,586,372	912,832	382,856

Pension Plan Fiduciary Net Position

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

NOTE 11: 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. . 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 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, 2022, the County reported a liability of $817,438 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 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 OPEB liability was based on the employer’s share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022 the County’s proportion was 0.681023 percent which was an increase of 0.014855 percent from June 30, 2021.

For the year ended June 30, 2022 the County recognized OPEB expense of $134,106. At December 30, 2022 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 19,379	$ 7,029
Changes of Assumptions	205,903	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	110,065	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	19,568	18,931
District Contributions Subsequent to the Measurement Date	71,911	-
Total Main System	$ 426,826	$ 25,960

$71,911 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, 2022.

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
2023	$ 83,755
2024	78,386
2025	71,601
2026	95,213
2027	-

Actuarial assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment Rate of Return	5.75%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.
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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
International Equities	26%	6.25%
Domestic Fixed Income	35%	0.50%

Discount rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Main System	$ 1,043,411	$ 817,438	$ 627,741

NOTE 12: 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 is limited to losses of two million dollars per occurrence for automobile and general liability. Mobile equipment and portable property (public assets) coverage is limited to $7,978,874 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 $258,623 of coverage and $1,404,848 for the Missouri West Water System employees. Lower Heart WRD has $232,678 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 13: 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, 2021, the most current year audited is as follows:

Assets and Deferred Outflows	$ 4,822,887
Liabilities and Deferred Inflows	5,290,989
Net Position	$ (468,102)
Revenues	$ 4,337,057
Expenses	4,157,260
Change in Net Position	$ 179,797

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

NOTE 14: 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, 2022:

	Transfers In	Transfers Out
Major Funds		
General Fund	$ -	$ 344,147
Special Revenue Fund	8,759,074	9,412,445
Debt Service Fund	216,435	216,435
Non-Major Funds		
Capital Project Fund	997,518	-
Total Transfers	$ 9,973,027	$ 9,973,027

Transfers are primarily used to move funds between the highway tax to the road and bridge department and to move funds between the general and debt service funds to capital project funds for construction costs. The remaining transfers are for various purposes.

NOTE 15: 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, 2022, there were two outstanding issuances with a balance of $3,989,682 at December 31, 2022.

NOTE 16: CONSTRUCTION COMMITMENTS

Morton County had no open construction commitments as of December 31, 2022.

Lower Heart Water Resource District had one open construction commitments as of December 31, 2022, as follows:

Project	Amended Contract	Complete	Retainage	Balance to Finish
Lower Heart River Flood Risk Design Phase 2	$ 2,358,862	$ 1,726,837	-	$ 632,025
Total	$ 2,358,862	$ 1,726,837	$ -	$ 632,025

NOTE 17: 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.

MORTON COUNTY

Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 7,126,065	$ 7,126,065	$ 7,282,655	$ 156,590
Licenses, Permits and Fees	43,500	43,500	64,678	21,178
Intergovernmental	2,353,500	2,353,500	2,919,701	566,201
Charges for Services	430,660	430,660	523,630	92,970
Interest Income	2,000	2,000	141,292	139,292
Miscellaneous	346,340	346,340	443,113	96,773
Total Revenues	$ 10,302,065	$ 10,302,065	$ 11,375,069	$ 1,073,004
EXPENDITURES				
Current				
General Government	$ 4,314,632	$ 4,314,632	$ 4,152,656	$ 161,976
Public Safety	7,086,909	7,086,909	6,462,581	624,328
Conserv. & Econ Dev	105,300	105,300	107,800	(2,500)
Total Expenditures	$ 11,506,841	$ 11,506,841	$ 10,723,037	$ 676,004
Excess (Deficiency) of Revenues Over Expenditures	$ (1,204,776)	$ (1,204,776)	$ 652,032	$ 1,749,008
OTHER FINANCING SOURCES (USES)				
Transfers Out	$ (344,147)	$ (344,147)	$ (344,147)	$ -
Total Other Financing Sources (Uses)	$ (344,147)	$ (344,147)	$ (344,147)	$ -
Net Change in Fund Balances	$ (1,548,923)	$ (1,548,923)	$ 307,885	$ 1,749,008
Fund Balance - January 1	$ 3,731,557	$ 507,968	$ 6,000,626	$ (2,269,069)
Fund Balance - December 31	$ 2,182,634	$ (1,040,955)	$ 6,308,511	$ (520,061)

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, 2022

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 3,459,114	$ 3,459,114	$ 3,529,943	$ 70,829
Licenses, Permits, & Fees	-	-	38,570	38,570
Charges for Services	1,260,220	1,260,220	1,418,760	158,540
Intergovernmental	6,817,950	6,817,950	10,055,669	3,237,719
Miscellaneous	82,000	82,000	141,815	59,815
Total Revenues	$ 11,619,284	$ 11,619,284	$ 15,184,757	$ 3,565,473
EXPENDITURES				
Current				
General Government	$ 221,040	$ 248,507	$ 234,235	$ 14,272
Public Safety	879,720	917,634	897,065	20,569
Highways & Public Improve.	6,677,031	8,036,356	8,052,118	(15,762)
Health and Welfare	4,030,979	4,083,979	4,047,182	36,797
Culture and Recreation	928,005	928,005	824,009	103,996
Conser. Of Natural Resources	553,237	553,237	469,675	83,562
Economic Development	127,855	127,855	127,855	-
Capital Outlay	263,500	273,500	215,089	58,411
Debt Service:				
Principal	-	-	163,548	(163,548)
Interest and Service Charge	-	-	30,612	(30,612)
Total Expenditures	$ 13,681,367	$ 15,169,073	$ 15,061,388	$ 107,685
Excess (Deficiency) of Revenues Over Expenditures	$ (2,062,083)	$ (3,549,789)	$ 123,369	$ 3,673,158
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	$ -	$ -	$ 68,710	$ 68,710
Note Payable Proceeds	-	-	171,775	171,775
Transfers In	5,713,029	5,713,029	8,759,074	3,046,045
Transfers Out	(4,866,400)	(4,866,400)	(9,412,445)	(4,546,045)
Total Other Financing Sources (Uses)	$ 846,629	$ 846,629	$ (412,886)	$ (1,259,515)
Net Change in Fund Balances	$ (1,215,454)	$ (2,703,160)	$ (289,517)	$ 2,413,643
Fund Balance - January 1	$ 8,855,925	$ 8,855,925	$ 8,855,925	$ -
Prior Period Adjustment	$ -	$ -	$ 15,000	$ 15,000
Fund Balance - December 31	$ 7,640,471	$ 6,152,765	$ 8,581,408	$ 2,428,643

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
2022	0.558572%	$ 16,087,246	$ 6,484,104	248.10%	54.47%
2021	0.555479%	5,789,761	6,290,189	92.04%	78.26%
2020	0.551166%	17,339,800	6,080,026	285.19%	48.91%
2019	0.557895%	6,538,933	5,803,060	112.68%	71.66%
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%

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
2022	14.459654%	$ 912,832.00	$ 2,023,713.00	45.11%	73.17%
2021	17.376302%	(385,680)	1,928,254	-20.00%	115.21%
2020	16.628695%	1,061,672	1,800,009	58.98%	65.83%
2019	16.259949%	(74,816)	1,591,802	-4.70%	104.84%
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	1,928,254	1.58%	98.17%
2015	46.434907%	(54,345)	1,753,650	-3.10%	104.37%

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

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
2022	$ 488,364	$ (479,387)	$ 8,977	$ 6,818,455	7.03%
2021	463,874	(459,430)	4,444	6,429,893	7.15%
2020	430,519	(436,757)	(6,238)	6,586,463	6.63%
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%

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
2022	$ 149,087	$ 159,320	$ 308,407	$ 2,021,699	-7.88%
2021	155,802	(151,570)	4,232	1,967,702	7.70%
2020	162,581	(141,088)	21,493	1,896,082	7.44%
2019	108,991	(139,995)	(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)	1,928,254	9.53%
2015	143,678	(146,640)	(2,962)	1,753,650	8.19%

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
2022	0.681023%	$ 817,438	$ 7,030,917	11.63%	56.28%
2021	0.666168%	370,505	7,262,949	5.10%	76.63%
2020	0.635148%	534,285	7,240,502	7.38%	63.38%
2019	0.662707%	532,278	7,394,862	7.20%	63.13%
2018	0.680987%	536,324	7,451,469	7.20%	61.89%

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
2022	$ 85,574	$ (84,344)	$ 1,230	$ 6,818,455	-1.24%
2021	87,339	(86,375)	964	6,429,893	-1.34%
2020	85,061	(86,666)	(1,605)	7,240,502	-1.20%
2019	86,003	(94,218)	(8,215)	7,394,862	-1.27%
2018	87,402	(85,646)	1,756	7,451,469	-1.15%

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	$ 18,547,767	$ 1,487,706	$ 20,035,473

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 decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (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 increased 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, 2020.

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, 2020.

NOTE 5: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Pension

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

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, 2020.

MORTON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal ALN Number	Program Title	Pass-Through Grantor's Number	Expenditures
	U.S. DEPARTMENT OF HOMELAND SECURITY		
	Passed Through the State Department of Emergency Services		
97.042	Emergency Management Performance Grants	FY-2019 EMPG	49,546
97.067	Homeland Security Grant Program	N/A	12,000
	Total U.S. Department of Homeland Security		$ 61,546
	U.S. DEPARTMENT OF LABOR		
	Passed through the State Department of Labor		
17.225	Unemployment Insurance (UI)		$ 1,425
	Total U.S. Department of Labor		$ 1,425
	U.S. DEPARTMENT OF TRANSPORTATION		
	Passed Through the State Department of Transportation		
20.600	State and Community Highway Safety	PHSPID2010-02-30,	$ 4,944
20.616	National Priority Safety Programs	PHSPID2010-02-30,	8,049
	Total U.S. Department of Transportation		$ 12,993
	U.S. DEPARTMENT OF THE TREASURY		
	Passed Through the State Department of the Treasurer:		
21.027	Coronavirus State and Local Fiscal Recovery Funds	N/A	$ 791,761
	Total U.S. Department of the Treasury Pass-Through Programs		$ 791,761
	TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 867,725

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2022. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Governmental fund types account for the County's federal grant activity. The County's summary of significant accounting policies is presented in Note 1 in the County's basic financial statements.

NOTE 3 PASS-THROUGH GRANT NUMBER

For federal programs marked "N/A", the County was unable to obtain a pass-through grant number.

NOTE 4 INDIRECT COST RATE

The County does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

STATE AUDITOR
Joshua C. Gallion

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

PHONE
701-328-2241

FAX
701-328-2345

ndsao@nd.gov

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Morton County's basic financial statements, and have issued our report thereon dated September 8, 2023.

Report on 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

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
September 8, 2023

STATE AUDITOR
Joshua C. Gallion

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

PHONE
701-328-2241

FAX
701-328-2345

ndsao@nd.gov

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of County Commissioners
Morton County
Mandan, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Morton County's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect each of on Morton County's major federal programs for the year ended December 31, 2022. Morton County's major federal programs are identified in the summary of auditor's results section of the accompanying *schedule of audit findings and questioned costs*.

In our opinion, Morton County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*GAS*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Morton County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Morton County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Morton County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Morton County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *GAS*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Morton County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *GAS*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Morton County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Morton County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Morton County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 8, 2023

MORTON COUNTY
Summary of Auditor's Results
For the Year Ended December 31, 2022

Financial Statements

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

Internal control over financial reporting

Material weaknesses identified?	____ Yes	X	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

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	____ Yes	X	None noted
Significant deficiencies identified?	____ Yes	X	None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	____ Yes	X	None noted

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and B programs: $ 750,000

Auditee qualified as low-risk auditee?	____ Yes	X	No

Morton County

STATE OF NORTH DAKOTA
OFFICE OF COUNTY AUDITOR
Dawn R Rhone
County Auditor

2021-001 – FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY

Condition:

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

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..

Current Status of Recommendation:
Implemented.

STATE AUDITOR
Joshua C. Gallion

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

PHONE
701-328-2241

FAX
701-328-2345

ndsao@nd.gov

GOVERNANCE COMMUNICATION

September 8, 2023

Board of County Commissioners
Morton County
Mandan, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Morton County, North Dakota, for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under general accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 10, 2023. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Morton County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by Morton County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 governmental activities financial statements were:

> Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives capital assets in determining that is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

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 list all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

2022 Adjustments - Primary Government	**Audit Adjustments**	
	Debit	**Credit**
Government Wide Activities		
To Record Capital Asset Addition		
Capital Assets	420,000	
Expenditures		420,000
To Record Depreciation Expense		
Depreciation Expense	8,400	
Accumulated Depreciation		8,400

2022 Adjustments - Lower Heart Water Resource District	**Audit Adjustments**	
	Debit	**Credit**
General Fund		
To Record Accounts Payable		
Expenditures	24,593	
Accounts Payable		24,593

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 September 8, 2023.

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.

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.

Other Matters

We applied certain limited procedures to 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 notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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 Morton 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
September 8, 2023

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE
600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505

ND.gov/Auditor NDSAO@nd.gov 701-328-2241 Facebook.com/NDStateAuditor