

OFFICE OF THE STATE AUDITOR

AUDIT REPORT

**MORTON COUNTY
MANDAN, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2014



MORTON COUNTY
Mandan, North Dakota

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MORTON COUNTY
Mandan, North Dakota

COUNTY OFFICIALS

December 31, 2014

Bruce Strinden
Andrew Zachmeier
Cody Schulz
Ron Leingang
James Boehm

Dawn R Rhone
Vicki Lippert
Dave Shipman
Carole Schaner
Allan Kopy
Dale Ekstrom

Commissioner - Chairman
Commissioner - Vice Chairman
Commissioner
Commissioner
Commissioner

Auditor
Treasurer
Sheriff
County Recorder
State's Attorney
Superintendent of Schools

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morton County
Mandan, North Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lower Heart Water Resource District, which represent 5 percent, 6 percent, and 11 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lower Heart Water Resource District, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, Mandan, North Dakota, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 33-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

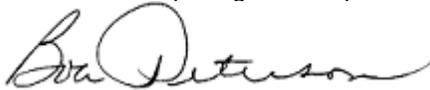
Other Information

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 fund activity and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of fund activity and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 fund activity and the schedule of expenditures of federal awards* are 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 March 13, 2015 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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
March 13, 2015

MORTON COUNTY
Mandan, North Dakota
STATEMENT OF NET POSITION
December 31, 2014

	Primary	Component Units	
	Governmental Activities	Morton Co. Water Resource District	Lower Heart Water Resource District
ASSETS:			
Cash and Investments	\$ 12,008,839	\$ 1,198,091	\$ 259,745
Investments	-	355,528	395,499
Restricted Investments	-	1,017,012	-
Accounts Receivable	390,234	152,235	4,346
Due from County Treasurer	-	1,477	49,699
Intergovernmental Receivable	1,403,455	-	-
Loans Receivable	57,501	-	-
Prepaid Expense	9,219	-	13,028
Taxes Receivable	158,722	1,892	1,458
Special Assessments Receivable	-	3,189	-
Uncertified Special Assessments Receivable	161,166	143,666	-
Capital Assets (not being depreciated):			
Land	851,559	1,052,888	341,721
Right of ways	549,727	-	-
Construction in Progress	718,348	1,213,084	-
Capital Assets (net of accumulated depreciation):			
Buildings and Improvements	6,682,758	183,395	1,600
Improvements	6,226	-	-
Vehicles and Equipment	3,059,695	68,714	138,185
Infrastructure	51,467,766	16,326,553	-
Total Capital Assets	\$ 63,336,079	\$ 18,844,634	\$ 481,506
Intangible Assets (net of accumulated amortization):			
Right to Purchase Water	\$ -	\$ 694,414	\$ -
Total Assets	\$ 77,525,215	\$ 22,412,138	\$ 1,205,281
LIABILITIES:			
Accounts Payable	\$ 604,683	\$ 103,292	\$ 143,621
Salaries and Benefits Payable	286,096	12,836	-
Payroll Liability	-	1,386	-
Retainage Payable	-	58,616	-
Interest Payable	10,963	33,092	-
Long-Term Liabilities:			
Due Within One Year:			
Special Assessments Payable	-	-	18,281
Loans Payable	53,583	210,462	-
Capital Lease Payable	76,438	-	-
Special Assessments Loan Payable	-	14,000	-
Compensated Absences Payable	100,133	22,681	-
Due After One Year:			
Special Assessments Payable	-	-	107,019
Loans Payable	87,357	2,883,690	-
Capital Lease Payable	702,141	-	-
Special Assessments Loan Payable	-	105,000	-
Compensated Absences Payable	901,199	52,923	-
Total Liabilities	\$ 2,822,593	\$ 3,497,978	\$ 268,921
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	\$ 1,975,294	\$ -	\$ -
NET POSITION:			
Net Investment in Capital Assets	\$ 62,416,560	\$ 15,631,482	\$ 481,506
Restricted for:			
Intangible Assets	-	694,414	-
Debt Service	317,150	1,017,012	-
Dam Maintenance	-	53,720	-
Capital Projects	347,366	-	-
Public Safety	477,246	-	-
Highways & Public Improvement	6,172,394	-	-
Health and Welfare	319,623	-	-
Culture and Recreation	309,681	-	-
Conservation of Natural Resources	479,110	-	-
Emergencies	526,488	-	-
Economic Development	19,644	-	-
General Government	1,083,854	-	-
Unrestricted	258,212	1,517,532	454,854
Total Net Position	\$ 72,727,328	\$ 18,914,160	\$ 936,360

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

MORTON COUNTY
Mandan, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		
					Primary Gov't Governmental Activities	Morton Co. WRD	Lower Heart WRD
Primary Government:							
Governmental Activities							
General Government	\$ 3,655,411	\$ 322,731	\$ 54,747	\$ -	\$ (3,277,933)		
Public Safety	5,482,188	1,003,521	186,176	-	(4,292,491)		
Highways & Public Improvement	11,776,868	896,944	6,911,657	7,882,984	3,914,717		
Health and Welfare	3,076,130	15,787	613,782	-	(2,446,561)		
Culture and Recreation	750,417	12,086	-	-	(738,331)		
Conservation of Natural Resources	434,623	45,530	-	-	(389,093)		
Economic Development	115,908	-	-	-	(115,908)		
Interest on Long-term Debt	38,413	-	-	-	(38,413)		
Total Governmental Activities	\$ 25,329,958	\$ 2,296,599	\$ 7,766,362	\$ 7,882,984	\$ (7,384,013)		
Component Units:							
Morton Co. Water Resource	\$ 2,460,501	\$ 1,614,109	\$ 78,713	\$ 844,326	\$ -	\$ 76,647	\$ -
Lower Heart Water Resource	356,622	-	-	-	-	-	(356,622)
Total Component Units	\$ 2,817,123	\$ 1,614,109	\$ 78,713	\$ 844,326	\$ -	\$ 76,647	\$ (356,622)
General Revenues:							
Taxes:							
Property taxes: levied for general purposes					\$ 3,032,658	\$ 164,866	\$ 179,743
Property taxes: levied for special purposes					7,001,504	10,144	-
Sales taxes					237,638	-	-
Unrestricted State Revenue					3,094,059	-	3,000
Earnings on Investments					49,115	7,384	523
Miscellaneous					648,171	46,962	8,715
Total General Revenues					\$ 14,063,145	\$ 229,356	\$ 191,981
Change in Net Position					\$ 6,679,132	\$ 306,003	\$ (164,641)
Net Position - January 1					\$ 65,710,827	\$ 18,608,157	\$ 1,101,001
Prior Period Adjustment					337,369	-	-
Net Position - January 1, as adjusted					\$ 66,048,196	\$ 18,608,157	\$ 1,101,001
Net Position - December 31					\$ 72,727,328	\$ 18,914,160	\$ 936,360

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

MORTON COUNTY
Mandan, North Dakota

BALANCE SHEET
December 31, 2014

	Major Funds								Total Governmental Funds
	General	County Road & Bridge	Highway Distribution Tax	Farm to Market	Social Welfare	Oasis & Social Security	Berube Apartment Building	Other Governmental Funds	
ASSETS									
Cash and Investments	\$ 2,778,035	\$ -	\$ 2,964,443	\$ 1,453,947	\$ 713,969	\$ 557,926	\$ 492	\$ 3,540,027	\$ 12,008,839
Accounts Receivable	370,561	-	-	-	-	-	-	19,673	390,234
Intergovernmental Receivables	711,376	-	361,760	-	41,669	-	-	288,650	1,403,455
Interfund Loan Receivable	82,887	-	-	-	-	-	-	890,000	972,887
Due from Other Funds	14,605	-	1,233,743	-	89,148	-	-	-	1,337,496
Loans Receivable	-	-	-	-	-	-	-	57,501	57,501
Prepaid Expense	9,219	-	-	-	-	-	-	-	9,219
Taxes Receivable	50,138	413	-	8,586	30,555	32,216	-	36,814	158,722
Uncertified Special Assessments Rec.	-	-	-	-	-	-	-	161,166	161,166
Total Assets	\$ 4,016,821	\$ 413	\$ 4,559,946	\$ 1,462,533	\$ 875,341	\$ 590,142	\$ 492	\$ 4,993,831	\$ 16,499,519
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
<u>Liabilities:</u>									
Accounts Payable	\$ 131,346	\$ 277,214	\$ -	\$ -	\$ 27,524	\$ -	\$ 7,320	\$ 161,279	\$ 604,683
Salaries and Benefits Payable	278,855	4,396	-	-	2,118	-	-	727	286,096
Interfund Loan Payable	-	-	-	-	-	-	952,837	20,050	972,887
Due to Other Funds	-	1,233,743	-	-	-	-	-	103,753	1,337,496
Total Liabilities	\$ 410,201	\$ 1,515,353	\$ -	\$ -	\$ 29,642	\$ -	\$ 960,157	\$ 285,809	\$ 3,201,162
<u>Deferred Inflows of Resources:</u>									
Taxes Receivable	\$ 50,138	\$ 413	\$ -	\$ 8,586	\$ 30,555	\$ 32,216	\$ -	\$ 36,814	\$ 158,722
Uncertified Special Assessments Rec.	-	-	-	-	-	-	-	161,166	161,166
Taxes Received in Advance	615,149	5,607	-	89,704	392,457	373,395	-	498,982	1,975,294
Total Deferred Inflows of Resources	\$ 665,287	\$ 6,020	\$ -	\$ 98,290	\$ 423,012	\$ 405,611	\$ -	\$ 696,962	\$ 2,295,182
Total Liabilities and Deferred Inflows of Resources	\$ 1,075,488	\$ 1,521,373	\$ -	\$ 98,290	\$ 452,654	\$ 405,611	\$ 960,157	\$ 982,771	\$ 5,496,344
<u>Fund Balances:</u>									
<u>Non-Spendable:</u>									
Prepaid Expense	\$ 9,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,219
Loans Receivable	82,887	-	-	-	-	-	-	947,501	1,030,388
<u>Restricted for:</u>									
Debt Service	-	-	-	-	-	-	-	165,861	165,861
General Government	-	-	-	-	-	184,531	-	92,997	277,528
Public Safety	-	-	-	-	-	-	-	855,457	855,457
Highways & Public Improvement	-	-	4,559,946	1,364,243	-	-	-	517,179	6,441,368
Emergency	-	-	-	-	-	-	-	524,027	524,027
Health and Welfare	-	-	-	-	422,687	-	-	46,652	469,339
Culture and Recreation	-	-	-	-	-	-	-	315,939	315,939
Conservation of Natural Resources	-	-	-	-	-	-	-	489,654	489,654
Economic Development	-	-	-	-	-	-	-	18,856	18,856
Capital Projects	-	-	-	-	-	-	-	289,572	289,572
<u>Unassigned</u>									
General Fund	2,849,227	-	-	-	-	-	-	-	2,849,227
Negative Fund Balances	-	(1,520,960)	-	-	-	-	(959,665)	(252,635)	(2,733,260)
Total Fund Balances	\$ 2,941,333	\$ (1,520,960)	\$ 4,559,946	\$ 1,364,243	\$ 422,687	\$ 184,531	\$ (959,665)	\$ 4,011,060	\$ 11,003,175
Total Liabilities and Fund Balances	\$ 4,016,821	\$ 413	\$ 4,559,946	\$ 1,462,533	\$ 875,341	\$ 590,142	\$ 492	\$ 4,993,831	\$ 16,499,519

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

MORTON COUNTY
Mandan, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2014

Total *Fund Balances* for Governmental Funds \$ 11,003,175

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.

Cost of Capital Assets	\$ 123,007,152	
Less Accumulated Depreciation	<u>(59,671,073)</u>	
Net Capital Assets		63,336,079

Property taxes and special assessments 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	\$ 158,722	
Uncertified Special Assessments Receivable	<u>161,166</u>	319,888

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of Net Position. Balances at December 31, 2014 are:

Loans Payable	\$ (140,940)	
Capital Lease	(778,579)	
Interest Payable	(10,963)	
Compensated Absences	<u>(1,001,332)</u>	
Total Long-Term Liabilities		<u>(1,931,814)</u>

Total Net Position of Governmental Activities \$ 72,727,328

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

MORTON COUNTY
Mandan, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	Major Funds								Total Governmental Funds
	General	County Road & Bridge	Highway Distribution Tax	Farm to Market	Social Welfare	Oasis & Social Security	Berube Apartment Building	Other Governmental Funds	
Revenues:									
Property Taxes	\$ 3,038,737	\$ 22,496	\$ -	\$ 506,555	\$ 1,857,270	\$ 1,866,056	\$ -	\$ 2,763,496	\$ 10,054,610
Sales Taxes	-	-	-	-	-	-	-	237,638	237,638
Special Assessments	-	-	-	-	-	-	-	51,787	51,787
Intergovernmental Revenues	2,355,784	362,007	3,051,452	4,237,147	669,913	65,976	-	828,931	11,571,210
Charges for Services	712,506	860,150	-	-	-	-	-	602,639	2,175,295
Licenses, Permits, & Fees	84,510	36,794	-	-	-	-	-	-	121,304
Interest Income	49,115	-	-	-	-	-	-	-	49,115
Miscellaneous Revenues	141,387	138,691	-	-	-	-	171,577	196,516	648,171
Total Revenues	\$ 6,382,039	\$ 1,420,138	\$ 3,051,452	\$ 4,743,702	\$ 2,527,183	\$ 1,932,032	\$ 171,577	\$ 4,681,007	\$ 24,909,130
Expenditures:									
Current									
General Government	\$ 3,008,038	\$ -	\$ -	\$ -	\$ -	\$ 628,400	\$ 116,966	\$ 29,795	\$ 3,783,199
Public Safety	5,165,877	-	-	-	-	-	-	215,265	5,381,142
Highways & Public Improvements	-	4,767,450	-	6,139,353	-	-	-	-	10,906,803
Health and Welfare	-	-	-	-	2,438,824	-	-	582,322	3,021,146
Culture and Recreation	-	-	-	-	-	-	-	776,166	776,166
Conserv. of Natural Resources	900	-	-	-	-	-	-	429,450	430,350
Economic Development	-	-	-	-	-	-	-	115,908	115,908
Capital Outlay	-	1,293,748	-	-	-	-	-	274,447	1,568,195
Debt Service:									
Principal	-	73,470	-	-	-	-	-	52,776	126,246
Interest and Service Charge	-	33,370	-	-	-	-	-	8,868	42,238
Total Expenditures	\$ 8,174,815	\$ 6,168,038	\$ -	\$ 6,139,353	\$ 2,438,824	\$ 628,400	\$ 116,966	\$ 2,484,997	\$ 26,151,393
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,792,776)	\$ (4,747,900)	\$ 3,051,452	\$ (1,395,651)	\$ 88,359	\$ 1,303,632	\$ 54,611	\$ 2,196,010	\$ (1,242,263)
Other Financing Sources (Uses):									
Transfers In	\$ 2,062,750	\$ 4,700,000	\$ -	\$ 1,500,000	\$ 208,000	\$ -	\$ -	\$ 285,364	\$ 8,756,114
Transfers Out	-	-	(4,700,000)	-	-	(1,280,700)	-	(2,775,414)	(8,756,114)
Total Other Financing Sources and Uses	\$ 2,062,750	\$ 4,700,000	\$ (4,700,000)	\$ 1,500,000	\$ 208,000	\$ (1,280,700)	\$ -	\$ (2,490,050)	\$ -
Net Change in Fund Balances	\$ 269,974	\$ (47,900)	\$ (1,648,548)	\$ 104,349	\$ 296,359	\$ 22,932	\$ 54,611	\$ (294,040)	\$ (1,242,263)
Fund Balance - January 1	\$ 2,671,359	\$ (1,473,060)	\$ 6,208,494	\$ 1,259,894	\$ 126,328	\$ 161,599	\$ (1,014,276)	\$ 4,305,100	\$ 12,245,438
Fund Balance - December 31	\$ 2,941,333	\$ (1,520,960)	\$ 4,559,946	\$ 1,364,243	\$ 422,687	\$ 184,531	\$ (959,665)	\$ 4,011,060	\$ 11,003,175

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

MORTON COUNTY
Mandan, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ (1,242,263)

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. This is the amount by which capital outlays & capital contributions exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 3,683,774	
Current Year Depreciation Expense	(2,882,402)	
Current Year Capital Contribution	<u>7,100,584</u>	7,901,956

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	\$ (53,908)	
Net Change in Interest Payable	<u>3,825</u>	(50,083)

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

Repayment of Loan Principal	\$ 52,776	
Repayment of Capital Lease	<u>73,470</u>	126,246

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. This consists of:

Net Change in Taxes Receivable	\$ (20,448)	
Net Change in Uncertified Special Assessments Receivable	<u>(36,276)</u>	<u>(56,724)</u>

Change in Net Position of Governmental Activities \$ 6,679,132

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

MORTON COUNTY
Mandan, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2014

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 5,780,824</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>\$ 5,780,824</u>

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

MORTON COUNTY
Mandan, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Morton 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.

A. Financial Reporting Entity

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

Based on these criteria, there are three component units to be included within Morton County as a reporting entity.

COMPONENT UNITS

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

Blended 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.

Morton County Library:

The Morton County Library is fiscally dependent on Morton County for operations and the services that the library provides are directly to the County. The County Commissioners approve the budget, levy the tax and approve or disapprove all expenditures.

Morton County Economic Development:

The entity provides services almost entirely to Morton County. The County Commissioners approve the budget, levy the tax and approve or disapprove all expenditures.

Discretely Presented Component Units: The discretely presented 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 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.

MORTON COUNTY

Notes to the Financial Statements – Continued

Lower Heart River 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 the Lower Heart Water Resource District are audited by other auditors and a separate standalone audit report is issued. A complete audit report may be obtained from Mahlum Goodhart, PC, 204 E. Main St., Mandan, North Dakota, 58554.

Component Unit Financial Statements: 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.

Administrative Offices:

Morton County Water Resource District
P.O. Box 176
2816 37th St. NW
Mandan, ND 58554

Lower Heart River Water Resource District
P.O. Box 395
Mandan, North Dakota 58554

B. Government-wide and Fund Financial Statements

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Morton 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, are presented as general revenues.

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

The county reports the following major governmental funds:

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

County Road & Bridge Fund. This fund accounts for the maintenance and repair of roads within the county. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Highway Distribution Tax Fund. This fund is the County's clearing account for State Highway Tax revenue. It accounts for the State Highway Tax distribution. The major sources of revenues are restricted State/Federal grants/reimbursements.

MORTON COUNTY

Notes to the Financial Statements – Continued

Farm to Market Fund. This fund accounts for repair and improvement of highways and bridges that are legally restricted from taxes levied. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Social Welfare Fund. This fund accounts for the costs of providing social service benefits to needy residents of the county. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Oasis & Social Security Fund. This fund accounts for the property taxes collected for paying the matching share of Oasis and social security benefits for employees of the county. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Berube Apartment Building Fund. This fund accounts for the activity relating to the purchase of an apartment building. The building is currently being run as an apartment building by the County until which time it can be turned into a law enforcement center. A large liability exists in the apartment building fund, which will pay back the funds that paid for the building. The major source of revenue is committed rent received from apartment building tenants.

Additionally, the County reports the following fund type:

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

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

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

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

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

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

MORTON COUNTY

Notes to the Financial Statements – Continued

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments consist of certificates of deposit and an investment in the MBBM joint investment pool, which are stated at fair value.

E. Capital Assets**PRIMARY GOVERNMENT:**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$25,000 or more through December 31, 2010. As of January 1, 2011, the capitalization threshold was changed to \$5,000 due to a change in capitalization policy. Morton County elected to apply this policy prospectively for capital assets purchased after January 1, 2011. 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.

General infrastructure assets acquired prior to January 1, 2002 consist of the road and bridge network assets that were acquired or received substantial improvements subsequent to January 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

ASSETS	YEARS
Infrastructure	50
Buildings	50
Machinery & Equipment	5
Vehicles	5
Equipment	5

DISCRETELY PRESENTED COMPONENT UNITS:Morton County Water Resource District:

Capital assets of the Morton County Water Resource District, a discretely presented component unit of Morton County, include plant and equipment. Assets are reported in an individual component unit column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$1,500 or more if acquired prior to 2003 and \$3,000 or more if acquired in 2003 to 2010 and \$7,500 or more if acquired in 2010 or later. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets of the Morton County Water Resource District are depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Buildings	40
Machinery	5 - 15
Infrastructure	40
Vehicles	3 - 5
Office Equipment	3 - 5

MORTON COUNTY

Notes to the Financial Statements – Continued

Lower Heart Water Resource District:

Capital assets of the Lower Heart Water Resource District include plant and equipment. Assets are reported in an individual component unit column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$1,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	50 years
Vehicles	15 years
Machinery and Equipment	5 to 25 years

F. 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 leave is earned as follows:

YEARS OF SERVICE	HOURS PER MONTH
1 through 3 years	8
4 through 7 years	10
8 through 12 years	12
13 through 18 years	14
19 years and above	16

G. Long-Term Obligations

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

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

H. Fund Balance / Net Position

GASB Statement No. 54 established fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of Morton 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.

Minimum Fund Balance Policy:

The Morton County budget committee established an 8% general fund carryover balance target to help with financial stability. The general fund carryover balance is part of the budget recommendation adopted by the county each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$2,463,972 at December 31, 2014 represents 33.7% of annual 2014 expenditures.

Replenishing deficiencies – when fund balance falls below the minimum balance, the County will replenish shortages/deficiencies using the budget strategies and time frames described below.

The following budgetary strategies shall be utilized by the County to replenish funding fund balance deficiencies:

- The County will reduce recurring expenditures to eliminate any structural deficit, or;
- The County will increase revenues or pursue other funding sources, or;
- Some combination of the two options above;

Minimum fund balance deficiencies shall be replenished over a period not to exceed one year.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (county road & bridge, highway distribution tax, farm to market, social welfare, OASIS & social security, and Berube apartment building) are disclosed in more detail in Note 1B.

Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the county auditor.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.

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MORTON COUNTY

Notes to the Financial Statements – Continued

CONTINUED..

CLASSIFICATION	DEFINITION	EXAMPLES
Unassigned	<p>Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification.</p> <p>(a) The General Fund is the only fund that can report a positive unassigned fund balance;</p> <p>(b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;</p>	Available for any remaining general fund expenditure.

Morton County reports non-spendable, restricted and unassigned fund balances at December 31, 2014.

Non-Spendable Fund Balance:

Non-spendable fund balance exists in the total non-major funds for loans receivable, and for prepaid expenses.

Restricted Fund Balances:

Restricted fund balances are shown by primary function on the balance sheet for general government, public safety, highways & public improvement, health & welfare, culture & recreation, conservation of resources, economic development, debt service, capital projects, and emergencies. Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes FEMA funds, other grant funds, and highway distribution tax.

Unassigned Fund Balances:

Unassigned fund balances represent the amount reported in the general fund and amounts for negative fund balances in the following funds: county road and bridge, Berube apartment building, county poor, abandoned cemeteries, gearing up for kindergarten, DHS CAP 11-12, county motor pool, a portion of equipment replacement, and Entzel's fourth street improvement.

Net Position:

The County implemented the provisions of GASB 63 'Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position' during the year ended December 31, 2012. Prior to GASB 63, equity in the statement of net assets was reported in the applicable categories of net assets. Under the provisions of GASB 63, the net assets statement was changed to the statement of net position, and net assets equity was changed to net position. GASB 63 didn't change how net position is calculated into the 3 primary categories as outlined in further detail below.

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.

MORTON COUNTY

Notes to the Financial Statements – Continued

Net investment in capital assets is reported for capital assets less accumulated depreciation, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

Restrictions of net position shown in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements. Restrictions are shown by primary function and are restricted for general government, public safety, highways & public improvement, health & welfare, culture & recreation, conservation of natural resources, economic development, emergencies, capital projects, and debt service.

Unrestricted net position is primarily unrestricted amounts related to the general fund and for amounts for negative cash balances. The unrestricted net position is available to meet the district's ongoing obligations.

I. Interfund Transactions

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

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETSBUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2014 as follows:

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
Major Funds			
General Fund	\$7,885,686	\$ 291,626	\$8,177,312
County Road & Bridge	5,195,340	970,958	6,166,298
Farm to Market Road	1,852,477	4,286,877	6,139,354
Berube Apartment Building	90,000	26,967	116,967
Nonmajor Special Revenue Funds			
Land Line E-911	120,000	26,218	146,218
Sheriff Special Fund	-	20,152	20,152
County Motor Pool	17,800	576	18,376
County Extension	210,346	25,670	236,016
Property Asset Forfeiture	-	13,000	13,000
County Park	465,385	63,702	529,087
County Library	160,100	11	160,111
PRC Program Grants	-	7,853	7,853
MC Community Garden	-	958	958
Region VII PRC	-	7,607	7,607
DHS CAP 11-12	-	10,705	10,705
Capital Projects	38,750	104,242	142,992
Equipment Replacement	103,749	27,706	131,455
Nonmajor Debt Service Funds			
Entzel's Special #5	18,219	1	18,220
Scholser Special #5	7,826	1	7,827

MORTON COUNTY

Notes to the Financial Statements – Continued

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

At year ended December 31, 2014, the County's carrying amount of deposits was \$17,771,510 and the bank balances were \$17,461,122. Of the bank balances, \$2,214,039 was covered by Federal Depository Insurance. The remaining balances of \$15,247,083 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2014, Morton County Water Resource District's carrying amount of deposits was \$2,570,531, and the bank balances were \$2,709,741. Of the bank balances, \$1,274,949 was covered by Federal Depository Insurance. The remaining balances of \$1,434,792 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2014, the Lower Heart River Water Resource District's carrying amount of deposits was \$655,244, and the bank balances were \$655,614. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining balances of \$155,614 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

- (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.

As of December 31, 2014, the County held certificates of deposit in the amount of \$4,869,786, which are all considered deposits.

MORTON COUNTY

Notes to the Financial Statements – Continued

As of December 31, 2014, Morton County Water Resource District held certificates of deposit in the amount of \$1,372,540, which are all considered deposits.

As of December 31, 2014, Lower Heart River Water Resource District held certificates of deposit in the amount of \$395,499, which are all considered investments.

The investments of the County pooled funds reported in cash and investments are an investment in the MBBM investment pool. The MBBM investment pool was undertaken through a joint powers agreement between the City of Bismarck, City of Mandan, Morton County, Burleigh County, Bismarck Park District, Mandan Park District, and Mandan Public School District. The pool invests in securities authorized by State Statutes. At December 31, 2014, the district's portion of MBBM had a fair market value of \$1,012,463. The pool portfolio had average credit quality rating of AAA and average days to maturity of 90 days.

Interest Rate Risk:

The County and its component units do not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk:

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

NOTE 4: RESTRICTED CASH AND INVESTMENTS

Discretely Presented Component Unit – 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 portions are as follows:

Restriction:	Amounts
Restricted for Debt Service (Enterprise)	\$1,017,012

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due for fees and services provided by the county. No allowance has been established for estimated uncollectible road accounts receivable.

NOTE 6: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due for expenses in the operation various welfare, road and emergency management programs. These amounts consist of a mix of state and federal dollars.

NOTE 7: LOANS RECEIVABLE

Morton County has the following loan receivable at December 31, 2014:

Loan to the Morton County Fair Board for the construction of a building at the fairgrounds. The original loan was for \$57,914 with interest at 5%. In 2011, the Morton County Fair Board borrowed an additional \$81,532. Principal payments in 2014 totaled \$13,150.

\$57,501

MORTON COUNTY

Notes to the Financial Statements – Continued

NOTE 8: INTERFUND RECEIVABLES/PAYABLESInterfund loan receivable/Interfund loan payable:

Interfund loans receivable and payable total \$972,887. The following table represents the amounts of loans receivable and loans payable by fund reported in the balance sheet:

	Due To	Due From
General Fund	\$ -	\$ 82,887
Berube Apartment Building	952,837	-
Abandoned Cemeteries	20,050	-
Equipment Replacement	-	890,000
Total	\$972,887	\$972,887

Due to other funds/Due from other funds:

The due to/due from other funds totaling \$1,337,496 represents the amounts of negative cash in several funds borrowed from the general fund and the highway tax distribution fund.

	Due To	Due From
<u>Major Funds</u>		
General Fund	\$ -	\$ 14,605
County Road and Bridge	1,233,743	-
Social Services	-	89,148
Highway Tax Distribution	-	1,233,743
<u>Nonmajor Funds</u>		
County Poor	89,148	-
Gearing up for Kindergarten	87	-
DHS CAP 11-12	1,521	-
Equipment Replacement	4,329	-
County Motor Pool	6,453	-
Entzel's 4 th Street Improve.	2,215	-
Total	\$1,337,496	\$1,337,496

NOTE 9: TAXES AND SPECIAL ASSESSMENT RECEIVABLE

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

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

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.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

Uncertified special assessment receivables represent long-term receivables against real estate parcels for certain public projects. Special assessments may only be levied against parcels of real estate which have been identified as having received a direct and unique benefit from the public project.

MORTON COUNTY

Notes to the Financial Statements – Continued

NOTE 10: CAPITAL ASSETS

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

Governmental Activities:	Restated Bal. January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 851,559	\$ -	\$ -	\$ -	\$ 851,559
Right of ways	549,727	-	-	-	549,727
Construction in Progress	1,094,948	746,896	-	(1,123,497)	718,347
Total Capital Assets, Not Being Depreciated	\$ 2,496,234	\$ 746,896	\$ -	\$(1,179,597)	\$ 2,119,633
<i>Capital assets, being depreciated:</i>					
Buildings	\$ 11,596,607	\$ 287,448	\$ -	\$ -	\$ 11,884,055
Vehicles & Equipment	9,390,044	1,768,510	655,722	-	10,502,832
Improvements	79,830	7,783	-	-	87,613
Infrastructure	89,315,801	7,973,721	-	1,123,497	98,413,019
Total Capital Assets, Being Depreciated	\$110,382,282	\$10,037,462	\$655,722	\$ 1,179,597	\$120,783,697
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 4,963,861	\$ 237,436	\$ -	\$ -	\$ 5,201,297
Vehicles & Equipment	7,025,030	1,073,829	655,722	-	7,443,137
Improvements	79,830	1,556	-	-	81,386
Infrastructure	45,375,672	1,569,581	-	-	46,945,253
Total Accumulated Depreciation	\$ 57,444,393	\$ 2,882,402	\$655,722	\$ -	\$ 59,671,073
Total Capital Assets Being Depreciated, Net	\$ 52,937,889	\$ 7,155,060	\$ -	\$ 1,123,497	\$ 61,216,446
Governmental Activities - Capital Assets, Net	\$ 55,434,123	\$ 7,901,956	\$ -	\$ -	\$ 63,336,079

Note: the restated beginning balance includes a net increase to capital assets totaling \$337,369 to infrastructure. See also Note 22 for the prior period adjustment.

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

Governmental Activities:	
General Government	\$ 149,330
Public Safety	271,923
Highways	2,410,393
Health and Welfare	27,662
Culture and Recreation	23,094
Total Depreciation Expense - Governmental Activities	\$2,882,402

DISCRETELY PRESENTED COMPONENT UNITS:

Morton County Water Resource District:

The following is a summary of changes in capital assets for the Morton County Water Resource District, a discretely presented component unit of Morton County, for the year ended December 31, 2014:

Governmental Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14
<i>Capital assets not being depreciated:</i>				
Land	\$1,051,788	\$ -	\$ -	\$1,051,788
<i>Capital assets being depreciated:</i>				
Buildings	\$ 206,124	\$ -	\$ -	\$ 206,124
Equipment/Vehicles	25,479	21,632	-	47,111
Infrastructure	7,460,622	101,155	-	7,561,777
Total Capital Assets, Being Depreciated	\$7,692,225	\$122,787	\$ -	\$7,815,012
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 18,957	\$ 8,999	\$ -	\$ 27,956
Equipment/Vehicles	15,294	3,619	-	18,913
Infrastructure	764,499	159,811	-	924,310
Total Accumulated Depreciation	\$ 798,750	\$172,429	\$ -	\$ 971,179
Total Capital Assets Being Depreciated, Net	\$6,893,475	\$ (49,642)	\$ -	\$6,843,833
Governmental Activities Capital Assets, Net	\$7,945,263	\$ (49,642)	\$ -	\$7,895,621

MORTON COUNTY

Notes to the Financial Statements – Continued

Business Type Activities:

Business-Type Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,100	\$ -	\$ -	\$ 1,100
Construction in Progress	-	1,213,083	-	1,213,084
Total Capital Assets, not being depreciated	\$ 1,100	\$1,213,083	\$ -	\$ 1,214,184
<i>Capital assets being depreciated:</i>				
Buildings	\$ 9,800	\$ -	\$ -	\$ 9,800
Equipment	417,984	37,703	-	455,687
Infrastructure	14,891,828	-	-	14,891,828
Total Capital Assets, Being Depreciated	\$15,319,612	\$ 37,703	\$ -	\$15,357,315
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 4,247	\$ 327	\$ -	\$ 4,573
Equipment	377,572	37,598	-	415,171
Infrastructure	4,904,905	297,836	-	5,202,742
Total Accumulated Depreciation	\$ 5,286,724	\$ 335,761	\$ -	\$ 5,622,486
Total Capital Assets Being Depreciated, Net	\$10,032,888	\$ (298,058)	\$ -	\$ 9,734,829
Governmental Activities Capital Assets, Net	\$10,033,988	\$ 915,025	\$ -	\$10,949,013

Amortization of Intangible Asset:

Business-Type Activities:	Balance January 1	Increases	Decreases	Balance December 31
Missouri West Water System:				
<i>Intangible asset, being amortized:</i>				
Right to Purchase Water	\$1,371,300	\$ -	\$ -	\$1,371,300
<i>Less accumulated amortization for:</i>				
Right to Purchase Water	\$ 645,322	\$ 31,564	\$ -	\$ 676,886
Business-Type Activities - Intangible Asset, Net	\$ 725,978	\$(31,564)	\$ -	\$ 694,414

Right to purchase water consists of the water resource districts cost to secure the right to purchase water from the City of Mandan for 40 years. This amount is being amortized over the 40 year life of the agreement.

Lower Heart Water Resource District:

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

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$341,721	\$ -	\$ -	\$341,721
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 20,000	\$ -	\$ -	\$ 20,000
Machinery and Equipment	323,665	24,100	-	347,785
Total Capital Assets, Being Depreciated	\$343,665	\$ 24,100	\$ -	\$367,785
Less accumulated depreciation - Buildings:	\$ 18,400	\$ 400	\$ -	\$ 18,800
Less accumulated depreciation - Equipment	195,627	13,573	-	209,200
Total Capital Assets Being Depreciated, Net	\$129,658	\$ 10,127	\$ -	\$139,785
Governmental Activities - Capital Assets, Net	\$471,379	\$ 10,127	\$ -	\$481,506

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

MORTON COUNTY

Notes to the Financial Statements – Continued

NOTE 11: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2014 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 12: SALARIES AND BENEFITS PAYABLE

Salaries and benefits payable consists of amounts due to employees and benefits for services rendered prior to December 31, 2014 but paid subsequent to that date.

NOTE 13: INTEREST PAYABLE

Interest payable consists of interest amounts accrued on loans and leases payable at December 31, 2014, but not paid until after year-end.

NOTE 14: LONG-TERM LIABILITIES

Primary Government

Changes in Long-Term Liabilities - During the year ended December 31, 2014, the following changes occurred in long-term liabilities for Morton County:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	\$ 193,716	\$ -	\$ 52,776	\$ 140,940	\$ 53,583
Leases Payable	852,049	-	73,470	778,579	76,438
Compensated Absences *	947,424	53,908	-	1,001,332	100,133
Total Governmental Activities	\$1,993,190	\$53,908	\$126,246	\$1,920,851	\$230,154

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding debt (excluding compensated absences) at December 31, 2014 consists of the following issues:

Loans Payable:

\$400,000 Loan from Starion Financial due in annual installments of \$6,613 to \$32,889 through April 2016 plus interest at 4.2%. \$ 39,502

\$200,000 Loan from Starion Financial due in annual installments of \$1,498 to \$17,269 through April 10, 2020 plus interest at 4.5%. 80,623

\$82,000 Loan from Starion Financial due in annual installments of \$1,109 to \$6,897 through April 10, 2018 plus interest at 5%. 20,815

Total Loans Payable \$140,940

Leases Payable:

Capital Lease for four John Deere Motor Graders. The lease is for five years (quarterly payments) at a 4% interest rate. Last payment due May 16, 2017 totaling \$607,200. \$774,030

Capital Lease for a postage machine with Neopost. The lease is for five years (monthly payments) at a 5% interest rate. Last payment due January 2018. 4,549

Total Leases Payable \$778,579

MORTON COUNTY

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding debt, excluding compensated absences, are as follows:

PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES				
Year Ending December 31	Loans Payable		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2014	\$ 53,584	\$ 8,060	\$ 76,438	\$30,402
2015	28,272	9,102	79,530	27,311
2016	22,692	3,354	622,611	12,497
2017	17,625	4,145	-	-
2018	17,269	950	-	-
2019 - 2021	1,498	286	-	-
Totals	\$140,940	\$25,897	\$778,579	\$70,210

DISCRETELY PRESENTED COMPONENT UNITS:

Morton County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2014, the following changes occurred in liabilities reported in long-term liabilities for Morton County.

Governmental Activities:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Special Assessment Loan	\$132,000	\$ -	\$13,000	\$119,000	\$14,000
Loan Payable	114,824	-	7,271	107,553	7,626
Total Component Unit	\$246,824	\$ -	\$20,271	\$226,553	\$21,626

Outstanding governmental activities debt at December 31, 2014 is comprised of the following:

Special Assessment Bonds:

\$253,000 Municipal Bond Bank Revolving Fund Loan due in semi-annual installments of \$14,000 to \$16,000 plus interest through September 1, 2022, with interest at 2.5%. \$119,000

Loan Payable:

2012 Loan of \$134,134 with a fixed interest rate of 4.8% due in annual installments of \$12,860 beginning 11-1-2012 through 11-1-2025. 107,553

Total \$226,553

Debt service requirements on long-term debt for governmental activities at December 31, 2014 are as follows:

Year Ending December 31	Special Assessment Loan		Loan Payable	
	Principal	Interest	Principal	Interest
2015	\$ 14,000	\$ 2,975	\$ 7,626	\$ 5,234
2016	14,000	2,675	7,984	4,876
2017	14,000	2,275	8,385	4,475
2018	15,000	1,925	8,794	4,067
2019	15,000	1,550	9,221	3,639
2020 – 2024	47,000	2,375	53,279	11,021
2025 – 2029	-	-	12,263	597
Total	\$119,000	\$13,725	\$107,553	\$33,909

MORTON COUNTY

Notes to the Financial Statements – Continued

Business-Type Activities:

Business-type Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
State Water Commission Loans	\$ 683,918	\$ -	\$142,619	\$ 541,299	\$147,836
USDA-RD RUS Loans	2,449,300		54,000	2,445,300	55,000
Compensated Absences *	71,763	3,841	-	75,604	22,681
Total Component Unit	\$3,254,981	\$3,841	\$196,619	\$3,062,203	\$225,517

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

Outstanding business-type activities debt at December 31, 2014, excluding compensated absences, is comprised of the following individual issues:

Water Commission Loan:

The water resource district received an open-ended loan up to \$2,625,565 for a water supply system in Morton County. The loan will be repaid over a period of 25 years and bears an interest rate of 3.625%. Payments of \$83,065 including interest are due semiannually on April 15 and October 15.

\$ 541,299

USDA-RD - RUS Loans:

The water resource district received a \$2,990,300 loan for expansion of a water supply system in Morton County. With payments of \$37,000 to \$155,300 due annually through October 1, 2039; interest at 4.375%.

2,445,300

Total Loans Payable

\$2,986,599

Debt service requirements on business-type activity long-term debt at December 31, 2014 are as follows:

Year Ending December 31	BUSINESS-TYPE ACTIVITIES			
	State Water Commission Loan		USDR-RD RUS Loan	
	Principal	Interest	Principal	Interest
2015	\$147,836	\$18,294	\$ 55,000	\$ 106,982
2016	153,243	12,887	59,000	104,576
2017	158,848	7,281	61,000	101,994
2018	81,372	1,475	63,000	99,326
2019	-	-	66,000	96,569
2020 – 2024	-	-	378,000	436,734
2025 – 2029	-	-	467,000	346,653
2030 – 2034	-	-	580,000	235,003
2035 – 2039	-	-	716,300	96,578
Total	\$541,299	\$39,937	\$2,445,300	\$1,624,415

Operating Lease – County:

The County has entered into an operating lease for a copy machine with Advanced Business Methods. Lease payments totaling \$3,240 were made in the year ending December 31, 2014. The remaining operating lease payments total \$3,240 for 2015, and \$270 for 2016.

MORTON COUNTY

Notes to the Financial Statements – Continued

Operating Lease – Lower Heart Water Resource District:

The Lower Heart Water Resource District has a lease of land to another entity and acquired an additional lease of land in 2014. These leases are considered for accounting purposes to be operating leases. Lease revenues were \$8,146 for 2014. The leases expire on September 30, 2088 and October 31, 2016.

Future minimum lease revenue is as follows:

Year Ending December 31	Amount
2015	\$ 12,493
2016	8,146
2017	3,800
2018	3,800
2019	3,800
2020 - 2088	262,200
Totals	\$294,239

Lower Heart Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2014, the following changes occurred in liabilities reported in long-term liabilities:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Special Assessments Payable	\$143,649	\$ -	\$18,349	\$125,300	\$18,281

Outstanding debt at December 31, 2014 consists of the following issue:

Special Assessments Payable:

The special assessments are dated over various years from 1991 to 2007. The maturities vary per issue but extend through 2022. The interest rates vary from 5.4% to 6.4%.

\$125,300

Debt service requirements on long-term debt at December 31, 2014 are as follows:

Year Ending December 31	Special Assessments	
	Principal	Interest
2015	\$ 18,281	\$ 7,165
2016	18,281	6,122
2017	18,281	5,079
2018	17,680	4,016
2019	17,592	3,008
2020 – 2021	35,185	3,008
Totals	\$125,300	\$28,398

NOTE 15: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources on the balance sheet consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. These amounts are for uncollected taxes receivable, special assessments receivable, and the long-term uncertified special assessments receivable.

Deferred inflows of resources on the government-wide financial statements consist of taxes received in advance for prepaid property taxes.

MORTON COUNTY

Notes to the Financial Statements – Continued

NOTE 16: DEFICIT BALANCES

The following funds were in a deficit fund balance position at December 31, 2014:

Governmental Funds	Balance
Major Funds:	
County Road & Bridge	\$(1,520,960)
Berube Apartment Building	(959,665)
Nonmajor Special Revenue Funds:	
County Poor	(211,295)
Abandoned Cemeteries	(19,926)
Gearing Up Kindergarten	(87)
DHS CAP 11-12	(1,521)
County Motor Pool	(6,453)
Nonmajor Debt Service Funds:	
Entzel's 4 th Street Improvement	(9,024)

Other Funds

Deficits in the other funds will be eliminated when the county receives reimbursements from the State and Federal governments and as taxes are collected in the next year.

NOTE 17: DEFERRED COMPENSATION PLAN

The County offers its employees two retirement plans. The first is a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The main provider of this plan is Nationwide Retirement Solutions through 2010, although employees may choose another provider authorized by NDPERS (North Dakota Public Employees Retirement System). The county pays a portion of employee's salaries into this plan. The amount paid by the county varies depending on the employee's years of service. Contribution rates are 8% for new employees, 10% start of the 4th year of service and 11% the start of the 11th year of service. Employees may contribute up to \$15,000 of their salary to the plan.

The second plan is a defined benefit plan through NDPERS. The County began offering this plan on January 1, 2011. Existing employees as of that date were able to choose which plan they wanted and can switch from the deferred compensation plan to the defined benefit plan at any time. All new employees after January 1, 2011 are enrolled in the defined benefit plan.

North Dakota Public Employee's Retirement System (NDPERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota, 58502-1214.

During FY2014, plan members were required to contribute 7% of their annual covered salary. The County has elected to contribute 4%, while employees pay the remaining 3%. The County was required to pay 8.26% employer contribution, which consists of 7.12% for employee retirement and 1.14% for the retiree health benefits fund for employees other than Law Enforcement. For those employees in Law Enforcement, the employee paid 3% and the County paid the other 2.5% of the employee share along with the 9.07% employer contribution, which consists of 7.93% for employee retirement and 1.14% for the retiree health benefits fund, for a total of 9.07%. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The county's contributions to NDPERS for the years ended December 31, 2014, 2013, and 2012 were \$992,510, \$757,131, and \$543,865, respectively. Nationwide contributions were \$331,899, \$330,918, and \$203,190, for the years ended December 31, 2014, 2013 and 2012, respectively.

MORTON COUNTY

Notes to the Financial Statements – Continued

Contributions by the Morton County Water Resource District to NDPERS for the years ended December 31, 2014, 2013 and 2012 were \$6,329, \$5,997, and \$5,644, respectively.

Contributions by the Morton County Water Resource District to Nationwide Retirement for the years ended December 31, 2014, 2013 and 2012 were \$31,194, \$13,985, and \$8,825, respectively.

Direct Contribution to Employee – Morton County Water Resource District:

Morton County Water Resource District makes retirement contribution directly to one employee. The Water Resource District pays 11% of the employee's salary directly to the employee. The Water Resource's contribution to the employee for the years ending December 31, 2014, 2013, and 2012 were \$0, \$7,116, and \$10,808, respectively.

The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

NOTE 18: RISK MANAGEMENT

Morton 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 (NDRF), 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 NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF for automobile is limited to losses of one million dollars per occurrence and for general liability is limited to losses of two million dollars per occurrence. Mobile equipment and portable property (public assets) coverage is limited to \$6,176,768 for the county, \$126,612 for the Morton County Water Resource District, and \$79,441 for the Lower Heart Water Resource District.

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 \$2,000,000 of coverage. Lower Heart WRD has \$250,000 of coverage. The State Bonding Fund does not currently charge any premium for this coverage.

Morton County has workers compensation with the North Dakota Workforce, Safety and Insurance.

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

MORTON COUNTY

Notes to the Financial Statements – Continued

NOTE 19: 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, 2014, the most current year audited, is as follows:

Assets	\$1,013,311
Liabilities	-
Fund Balance	1,013,311
Total Revenues	\$2,686,387
Total Expenditures	2,412,552
Change in Fund Balance	\$ 273,835

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

Missouri River Joint Water Board:

Under authorization of state statutes the Morton County Water Resource District joined the water resource districts of Burleigh County, Dunn County, Emmons County, Mercer County, Mountrail County, Oliver County and Sioux County to establish and operate a joint exercise of powers agreement for water management districts located along the Missouri River. The joint agreement created Missouri River Joint Water Board. The agreement was established for the mutual advantage of the governments. One member of the directors for the joint venture is appointed by each government. The operating and capital expenses are funded by contributions from each government. Each participating district's share of the cost of operations is determined by the number of river miles in each district.

Unaudited summary financial information for the year ended December 31, 2013, the most current information available, is as follows:

Cash and Investments	\$ 12,571
Total Revenues	\$ 51,388
Total Expenses	(44,504)
Change in Net Position	\$ 6,884

Complete financial information can be obtained from Missouri River Joint Water Board, P.O. Box 488, Hazen, ND 58545.

MORTON COUNTY

Notes to the Financial Statements – Continued

NOTE 20: 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, 2014:

Major Funds:	Transfers In	Transfers Out
General Fund	\$2,062,750	\$ -
County Road & Bridge	4,700,000	
Highway Tax Distribution	-	4,700,000
Farm to Market Roads	1,500,000	-
Social Welfare	208,000	-
OASIS & Social Security	-	1,280,000
Non-Major Funds:		
Road and Bridge - Unorganized	-	1,500,000
County Poor	8,700	-
Advertising	14,000	-
County Park	250,000	240,000
Correctional Center	-	400,000
Self-Insurance	-	56,000
Land Line 911	-	560,000
Equipment Replacement	12,664	-
County Motor Pool	-	12,664
Hazardous Chemicals	-	6,750
Total Transfers	\$8,756,114	\$8,756,114

NOTE 21: 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, 2014, there were five series of Municipal Industrial Development Bonds issued with original principal balances totaling \$24,104,016.

NOTE 22: PRIOR PERIOD ADJUSTMENTS

There were prior period adjustments for the period ending December 31, 2013 to beginning net position at January 1, 2014 for Governmental Activities involving adjustments to infrastructure capital assets cost (increase), and accumulated depreciation (increase) resulting in a net increase to beginning net position of \$337,369.

Governmental Activities (County):	Amounts
Beginning Net Position, as previously reported	\$65,710,827
Adjustments to restate the January 1, 2014 Net Position:	
Capital Assets – infrastructure – cost	274,725
Capital Assets – infrastructure – accumulated depreciation	62,644
Net Position January 1, 2014 as restated	\$66,048,196

MORTON COUNTY

Notes to the Financial Statements – Continued

NOTE 23: COMMITMENTS

The Morton County Water Resource District had the following open construction contract at December 31, 2014 for the South Mandan water expansion project. The open contract summary is as follows:

Project	Amended Contract	Total Completed	Retainage	Remaining Balance w/Retainages	% Complete
South Expansion	\$1,172,311	\$1,159,3836	\$58,616	\$74,543	98.90%

Retainages Payable:

Retainages payable consists of a liability account reflecting amounts owing to contractors on the open contract as outlined above at December 31, 2014 by the Water Resource District.

NOTE 24: SUBSEQUENT EVENT

At the March 2, 2015 joint board meeting with Burleigh County, it was noted that Morton County along with Burleigh County approved the \$82,857,853 bid for the joint detention center project. The joint board also approved a \$6,000,000 purchase of land from the Burleigh County Fair Board for the detention center project site.

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
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,882,063	\$ 2,882,063	\$ 3,038,737	\$ 156,674
Licenses, Permits and Fees	30,500	30,500	84,510	54,010
Intergovernmental	2,076,500	2,076,500	2,355,784	279,284
Charges for Services	621,200	621,200	712,506	91,306
Interest Income	2,000	2,000	49,115	47,115
Miscellaneous	62,650	62,650	141,387	78,737
Total Revenues	\$ 5,674,913	\$ 5,674,913	\$ 6,382,039	\$ 707,126
<u>Expenditures:</u>				
Current:				
General Government	\$ 3,129,290	\$ 3,129,290	\$ 3,008,038	\$ 121,252
Public Safety	4,755,496	5,047,122	5,165,877	(118,755)
Conservation of Natural Resources	900	900	900	-
Total Expenditures	\$ 7,885,686	\$ 8,177,312	\$ 8,174,815	\$ 2,497
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,210,773)	\$ (2,502,399)	\$ (1,792,776)	\$ 709,623
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,796,000	\$ 1,796,000	\$ 2,062,750	\$ 266,750
Net Change in Fund Balances	\$ (414,773)	\$ (706,399)	\$ 269,974	\$ 976,373
Fund Balance - January 1	\$ 2,671,359	\$ 2,671,359	\$ 2,671,359	-
Fund Balance - December 31	\$ 2,256,586	\$ 1,964,960	\$ 2,941,333	\$ 976,373

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

MORTON COUNTY
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD & BRIDGE FUND
For the Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 25,650	\$ 25,650	\$ 22,496	\$ (3,154)
Licenses, Permits, & Fees	20,000	20,000	36,794	16,794
Charges for Services	776,400	776,400	860,150	83,750
Intergovernmental	15,878	15,878	362,007	346,129
Miscellaneous	82,000	82,000	138,691	56,691
Total Revenues	\$ 919,928	\$ 919,928	\$ 1,420,138	\$ 500,210
<u>Expenditures:</u>				
Current:				
Highways	\$ 4,640,095	\$ 4,640,095	\$ 4,767,450	\$ (127,355)
Capital Outlay	555,245	1,526,203	1,293,748	232,455
Debt Service:				
Principal	-	-	73,470	(73,470)
Interest and Service Charge	-	-	33,370	(33,370)
Total Expenditures	\$ 5,195,340	\$ 6,166,298	\$ 6,168,038	\$ (1,740)
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,275,412)	\$ (5,246,370)	\$ (4,747,900)	\$ 498,470
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 4,700,000	\$ 4,700,000	\$ 4,700,000	\$ -
Net Change in Fund Balances	\$ 424,588	\$ (546,370)	\$ (47,900)	\$ 498,470
Fund Balance - January 1	\$ (1,473,060)	\$ (1,473,060)	\$ (1,473,060)	\$ -
Fund Balance - December 31	\$ (1,048,472)	\$ (2,019,430)	\$ (1,520,960)	\$ 498,470

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

MORTON COUNTY
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY DISTRIBUTION TAX FUND
For the Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 2,980,000	\$ 2,980,000	\$ 3,051,452	\$ 71,452
<u>Expenditures:</u>	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,980,000	\$ 2,980,000	\$ 3,051,452	\$ 71,452
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (4,700,000)	\$ (4,700,000)	\$ (4,700,000)	\$ -
Net Change in Fund Balances	\$ (1,720,000)	\$ (1,720,000)	\$ (1,648,548)	\$ 71,452
Fund Balance - January 1	\$ 6,208,494	\$ 6,208,494	\$ 6,208,494	\$ -
Fund Balance - December 31	\$ 4,488,494	\$ 4,488,494	\$ 4,559,946	\$ 71,452

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

MORTON COUNTY
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET FUND
For the Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 493,000	\$ 493,000	\$ 506,555	\$ 13,555
Intergovernmental	28,075	28,075	4,237,147	4,209,072
Total Revenues	<u>\$ 521,075</u>	<u>\$ 521,075</u>	<u>\$ 4,743,702</u>	<u>\$ 4,222,627</u>
<u>Expenditures:</u>				
Highways	\$ 1,852,477	\$ 6,139,354	\$ 6,139,353	\$ 1
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,331,402)</u>	<u>\$ (5,618,279)</u>	<u>\$ (1,395,651)</u>	<u>\$ 4,222,628</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ -
Net Change in Fund Balances	<u>\$ 168,598</u>	<u>\$ (4,118,279)</u>	<u>\$ 104,349</u>	<u>\$ 4,222,628</u>
Fund Balance - January 1	<u>\$ 1,259,894</u>	<u>\$ 1,259,894</u>	<u>\$ 1,259,894</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 1,428,492</u></u>	<u><u>\$ (2,858,385)</u></u>	<u><u>\$ 1,364,243</u></u>	<u><u>\$ 4,222,628</u></u>

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

MORTON COUNTY
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL WELFARE FUND
For the Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,777,600	\$ 1,777,600	\$ 1,857,270	\$ 79,670
Intergovernmental	653,086	653,086	669,913	16,827
Total Revenues	\$ 2,430,686	\$ 2,430,686	\$ 2,527,183	\$ 96,497
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 2,445,836	\$ 2,445,836	\$ 2,438,824	\$ 7,012
Excess (Deficiency) of Revenues Over Expenditures	\$ (15,150)	\$ (15,150)	\$ 88,359	\$ 103,509
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 208,000	\$ 208,000	\$ 208,000	\$ -
Net Change in Fund Balances	\$ 192,850	\$ 192,850	\$ 296,359	\$ 103,509
Fund Balance - January 1	\$ 126,328	\$ 126,328	\$ 126,328	\$ -
Fund Balance - December 31	\$ 319,178	\$ 319,178	\$ 422,687	\$ 103,509

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

MORTON COUNTY
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE
OASIS & SOCIAL SECURITY FUND
For the Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,804,000	\$ 1,804,000	\$ 1,866,056	\$ 62,056
Intergovernmental	61,727	61,727	65,976	4,249
Total Revenues	<u>\$ 1,865,727</u>	<u>\$ 1,865,727</u>	<u>\$ 1,932,032</u>	<u>\$ 66,305</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 640,000	\$ 640,000	\$ 628,400	\$ 11,600
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,225,727</u>	<u>\$ 1,225,727</u>	<u>\$ 1,303,632</u>	<u>\$ 77,905</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	<u>\$ (1,280,700)</u>	<u>\$ (1,280,700)</u>	<u>\$ (1,280,700)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (54,973)</u>	<u>\$ (54,973)</u>	<u>\$ 22,932</u>	<u>\$ 77,905</u>
Fund Balance - January 1	<u>\$ 161,599</u>	<u>\$ 161,599</u>	<u>\$ 161,599</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 106,626</u></u>	<u><u>\$ 106,626</u></u>	<u><u>\$ 184,531</u></u>	<u><u>\$ 77,905</u></u>

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

MORTON COUNTY
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE
BERUBE APARTMENT FUND
For the Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Miscellaneous Revenues	\$ 165,000	\$ 165,000	\$ 171,577	\$ 6,577
<u>Expenditures:</u>				
Current:				
General Government	\$ 90,000	\$ 116,967	\$ 116,966	\$ 1
Excess (Deficiency) of Revenues Over Expenditures	\$ 75,000	\$ 48,033	\$ 54,611	\$ 6,578
Fund Balance - January 1	\$ (1,014,276)	\$ (1,014,276)	\$ (1,014,276)	\$ -
Fund Balance - December 31	\$ (939,276)	\$ (966,243)	\$ (959,665)	\$ 6,578

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

MORTON COUNTY
Mandan, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

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, each special revenue fund, and each debt service 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 expenditures 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 required by section 11-11-05 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. No county expenditure may be made or liability incurred, nor may a bill be paid for any purpose, in excess of the appropriation, except as provided in section 11-23-07. NDCC 11-23-06
- 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.

MORTON COUNTY
Mandan, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BALANCES
For the Year Ended December 31, 2014

	Balance 1-1-14	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12-31-14
Major Funds:						
General Fund	\$ 1,866,033.16	\$ 6,495,523.26	\$ 2,062,750.00	\$ -	\$ 8,177,097.84	\$ 2,247,208.58
County Road & Bridge	(1,861,570.05)	1,808,648.18	4,700,000.00	-	6,163,642.05	(1,516,563.92)
Highway Distribution Tax	5,890,253.39	3,007,932.24	-	4,700,000.00	-	4,198,185.63
Farm to Market Roads	1,254,618.50	4,748,977.88	1,500,000.00	-	6,139,353.60	1,364,242.78
Social Welfare	81,132.00	2,543,446.79	208,000.00	-	2,427,019.14	405,559.65
Oasis & Social Security	150,607.59	1,943,024.13	-	1,280,700.00	628,400.14	184,531.58
Berube Apartment Building	(1,014,275.16)	171,577.00	-	-	116,966.67	(959,664.83)
Total Major Funds	\$ 6,366,799.43	\$ 20,719,129.48	\$ 8,470,750.00	\$ 5,980,700.00	\$ 23,652,479.44	\$ 5,923,499.47
Non-Major Funds:						
Special Revenue Funds:						
Road and Bridge-Unorganized	\$ 759,830.01	\$ 1,212,336.74	\$ -	\$ 1,500,000.00	\$ -	\$ 472,166.75
Weed Control	288,881.69	239,041.02	-	-	179,059.64	348,863.07
County Poor	(1,739.02)	219,061.21	-	-	396,173.50	(178,851.31)
County Extension	27,516.61	229,944.23	8,700.00	-	236,015.26	30,145.58
Advertising	14,850.74	6,064.00	-	-	6,900.00	14,014.74
Veteran's Service Officer	15,820.29	155,302.35	14,000.00	-	153,707.97	31,414.67
Emergency Fund	371,286.86	152,740.34	-	-	-	524,027.20
LEC Fund	192,920.00	50,000.00	-	-	-	242,920.00
Abandoned Cemeteries	(25,725.92)	10,318.51	-	-	4,519.00	(19,926.41)
County Park	356,107.28	536,448.29	250,000.00	240,000.00	529,086.65	373,468.92
Correctional Center	18,960.18	477,090.39	-	400,000.00	35,339.79	60,710.78
Property & Asset Forfeiture	57,874.16	-	-	-	13,000.00	44,874.16
Self Insurance	133,238.55	1,743.71	-	56,000.00	-	78,982.26
DHS 10-11	81.93	-	-	-	-	81.93
States Attorney Forfeiture	29,353.67	33,541.01	-	-	-	62,894.68
Gearing up for Kindergarten	(87.09)	-	-	-	-	(87.09)
ADHD Grant II	592.46	-	-	-	-	592.46
Inmate Betterment Fund	48,645.44	21,699.74	-	-	20,151.74	50,193.44
DHS Rural Outreach	1,700.82	-	-	-	-	1,700.82
PRC Program Grants	8,067.64	-	-	-	7,852.55	215.09
MC Community Garden	4,282.27	(54.96)	-	-	957.20	3,270.11
DHS CAP 11-12	(3,085.59)	12,269.15	-	-	10,704.73	(1,521.17)
Region VII PRC	9,132.69	11,121.19	-	-	7,606.48	12,647.40
Land Line 911	496,059.30	338,270.96	-	560,000.00	146,217.28	128,112.98
Equipment Replacement	862,592.24	141,870.00	12,664.00	-	131,455.00	885,671.24
County Motor Pool	(843.39)	25,429.54	-	12,664.00	18,375.47	(6,453.32)
Hazardous Chemicals Prep.	14,296.28	1,675.00	-	6,750.00	556.42	8,664.86
Document Preservation Fund	79,490.73	45,529.50	-	-	14,375.61	110,644.62
Morton County Library	7,875.34	172,403.92	-	-	160,110.60	20,168.66
Economic Development	21,636.99	113,127.53	-	-	115,908.00	18,856.52
Total Non-Major Special Revenue Funds	\$ 3,789,613.16	\$ 4,206,973.37	\$ 285,364.00	\$ 2,775,414.00	\$ 2,188,072.89	\$ 3,318,463.64
Debt Service Funds:						
County Loan	\$ 32,561.32	\$ 6,571.60	\$ -	\$ -	\$ -	\$ 39,132.92
Federal Aid Highway Bond 2002	28,113.02	-	-	-	-	28,113.02
Federal Aid Highway Bond 2005	2,232.89	-	-	-	-	2,232.89
Schlosser's Specials #5	4,191.95	14,640.34	-	-	18,219.06	613.23
Monte's Rancheros/Street Imp.	20,493.23	-	-	-	-	20,493.23
Willow Road/St. Imp. #4	62,312.06	1,176.60	-	-	-	63,488.66
Riverview Hgts/St. Imp. # 5	11,036.12	-	-	-	-	11,036.12
Entzel's 4th Street Improvement	(3,225.72)	29,800.16	-	-	35,597.94	(9,023.50)
Entzel's Special #5	2,407.91	6,170.04	-	-	7,826.90	751.05
Total Non-Major Debt Service Funds	\$ 160,122.78	\$ 58,358.74	\$ -	\$ -	\$ 61,643.90	\$ 156,837.62
Capital Projects Funds:						
Capital Projects	229,644.54	\$ 183,436.25	\$ -	\$ -	\$ 142,991.75	\$ 270,089.04
County Special Assessments	65,071.23	11,912.49	-	-	-	76,983.72
Total Non-Major Capital Projects Funds	\$ 294,715.77	\$ 195,348.74	\$ -	\$ -	\$ 142,991.75	\$ 347,072.76
Total Non-Major Funds	\$ 4,244,451.71	\$ 4,460,680.85	\$ 285,364.00	\$ 2,775,414.00	\$ 2,392,708.54	\$ 3,822,374.02
Total Governmental Funds	\$ 10,611,251.14	\$ 25,179,810.33	\$ 8,756,114.00	\$ 8,756,114.00	\$ 26,045,187.98	\$ 9,745,873.49

Continued on next page....

MORTON COUNTY
Mandan, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BALANCES
For the Year Ended December 31, 2014

	Balance 1-1-14	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12-31-14
CONTINUED...						
<u>Agency Funds:</u>						
Protest Fund	\$ 2,409.93	\$ -	\$ -	\$ -	\$ 2,409.93	\$ -
Estimate Fund	16.97	19,747.36	-	-	19,363.91	400.42
Senior Citizens	13,444.83	236,089.86	-	-	248,887.04	647.65
Morton County Health	1,327.23	485,860.28	-	-	485,479.71	1,707.80
County Fair	247.28	90,623.23	-	-	90,554.19	316.32
Lower Heart Water Resource Dist.	23,396.65	188,587.94	-	-	183,204.18	28,780.41
Morton County Water Resource Dist.	30,823.52	248,154.26	-	-	241,711.65	37,266.13
Southwest Water Authority	10,268.83	116,433.05	-	-	114,742.03	11,959.85
Morton County Historical Society	67.24	24,191.99	-	-	24,174.03	85.20
Morton County Soil Conservation	12,225.18	99,065.17	-	-	96,498.43	14,791.92
State Tax	24,536.39	100,877.93	-	-	102,667.15	22,747.17
Game and Fish	9,789.95	144,779.05	-	-	110,924.00	43,645.00
Domestic Violence Prevention	455.00	6,755.00	-	-	7,000.00	210.00
Almont City	1,344.24	6,131.61	-	-	6,513.16	962.69
Flasher City	5,898.26	36,393.26	-	-	35,336.71	6,954.81
Flasher Park	908.45	6,170.62	-	-	5,966.51	1,112.56
Glen Ullin City	15,510.16	91,571.69	-	-	91,968.09	15,113.76
Glen Ullin Park	1,965.96	11,994.23	-	-	11,925.74	2,034.45
Hebron City	24,253.85	112,035.24	-	-	110,404.22	25,884.87
Hebron Park	9,345.55	38,513.95	-	-	40,312.36	7,547.14
Mandan City	2,609,097.23	8,542,281.98	-	-	8,848,695.57	2,302,683.64
Mandan Park	599,328.65	1,896,850.41	-	-	1,973,529.03	522,650.03
New Salem City	29,465.83	112,653.64	-	-	121,985.12	20,134.35
New Salem Park	15,883.62	71,285.49	-	-	57,947.78	29,221.33
Western Heart River Irrigation	-	14,474.23	-	-	-	14,474.23
Flasher Rural Fire	4,817.57	14,327.23	-	-	13,773.82	5,370.98
Glen Ullin Rural Fire	4,189.05	23,111.56	-	-	22,903.51	4,397.10
Hebron Rural Fire	4,451.79	18,870.74	-	-	18,531.68	4,790.85
Mandan Rural Fire	45,908.41	167,409.88	-	-	171,420.58	41,897.71
New Salem Rural Fire	8,617.91	34,608.03	-	-	35,391.04	7,834.90
Almont Rural Fire	1,993.00	10,686.52	-	-	10,661.00	2,018.52
Almont Ambulance	1,416.24	9,148.91	-	-	9,098.61	1,466.54
Captains Landing Twp. # 1	7,798.56	16,149.01	-	-	17,070.02	6,877.55
Mandan SD # 1	2,330,389.05	8,610,300.38	-	-	8,902,770.93	2,037,918.50
Solen SD # 3	8,212.06	105,441.87	-	-	103,823.12	9,830.81
Little Heart SD # 4	14,049.81	79,897.58	-	-	81,509.30	12,438.09
New Salem SD # 7	116,448.20	798,614.21	-	-	803,856.53	111,205.88
Hebron SD # 13	39,269.10	223,190.17	-	-	219,028.65	43,430.62
Sweet Briar SD # 17	8,672.86	48,935.35	-	-	50,347.50	7,260.71
Flasher SD # 39	39,418.45	249,912.18	-	-	236,035.11	53,295.52
Glen Ullin SD # 48	46,166.15	532,399.64	-	-	524,764.35	53,801.44
Total Agency Funds	\$ 6,123,829.01	\$ 23,644,524.73	\$ -	\$ -	\$ 24,253,186.29	\$ 5,515,167.45
Total Primary Government	\$ 16,735,080.15	\$ 48,824,335.06	\$ 8,756,114.00	\$ 8,756,114.00	\$ 50,298,374.27	\$ 15,261,040.94

MORTON COUNTY
Mandan, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through State Department of Transportation:</u>		
National Priority Safety Programs	20.616	\$ 1,350
State and Community Highway Safety	20.600	2,191
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>12,094</u>
Total U.S. Department of Transportation		<u>\$ 15,635</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed Through State Department of Human Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 2,480
Temporary Assistance for Needy Families	93.558	** 237,486
Child Support Enforcement	93.563	1,997
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	17,482
Child Welfare Services - State Grants	93.645	4,138
Foster Care - Title IV-E	93.658	125,030
Adoption Assistance	93.659	2,324
Children's Health Insurance Program	93.767	616
Medical Assistance Program	93.778	2,934
Maternal and Child Health Services Block Grant to States	93.994	<u>3,715</u>
Total State Department of Human Services		<u>\$ 398,202</u>
Total U.S. Department of Health and Human Services		<u>\$ 398,202</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed Through North Dakota Department of Emergency Services:</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 15,936
Emergency Management Performance Grants	97.042	57,819
Homeland Security Grant Programs	97.067	<u>8,782</u>
Total Department of Homeland Security		<u>\$ 82,537</u>
<u>Passed Through North Dakota Game and Fish:</u>		
Boating Safety Financial Assistance	97.012	<u>\$ 5,654</u>
Total U.S. Department of Homeland Security		<u>\$ 88,191</u>
<u>U.S. DEPARTMENT OF INTERIOR:</u>		
<u>Passed Through North Dakota Game and Fish:</u>		
Sport Fish Restoration	15.605	<u>\$ 66,885</u>
Total Expenditure of Federal Awards		<u>\$ 568,913</u>

** - Tested program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Morton County under programs of the federal government for the year ended December 31, 2014. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Morton County, it is not intended to and does not present the financial position or changes in net position of Morton County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

**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, Mandan, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Morton County's basic financial statements, and have issued our report thereon dated March 13, 2015. Our report includes a reference to other auditors who audited the financial statements of the Lower Heart Water Resource District, as described in our report on Morton County's financial statements. This report does not include our consideration of the results of the other auditors' testing on internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

MORTON COUNTY

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

Compliance and Other Matters

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

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 result 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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
March 13, 2015

STATE AUDITOR

ROBERT R. PETERSON
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Morton County
Mandan, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Morton County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Morton County's major federal program for the year ended December 31, 2014. Morton County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Morton County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal programs occurred. An audit includes examining, on a test basis, evidence about Morton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Morton County's compliance.

Opinion on Each Major Federal Program

In our opinion, Morton County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2014.

MORTON COUNTY

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 - Continued

Report on Internal Control Over Compliance

Management of Morton County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Morton County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morton County's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Morton County as of and for the year ended December 31, 2014, and have issued our report thereon dated March 13, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
March 13, 2015

MORTON COUNTY
Mandan, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

Section I - Summary of Auditor's Results

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 reported

Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal Control over major programs:

Material weaknesses identified? Yes X None reported

Significant deficiencies identified? Yes X None reported

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 Circular A-133, Section .510(a)? Yes X None reported

Identification of major programs:

CFDA Numbers	Name of Federal Program Or Cluster
93.558	Temporary Assistance for Needy Families (TANF)

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

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

No matters were reported

Section III - Federal Award Findings and Questioned Costs

No matters were reported.